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# USSR Report

ECONOMIC AFFAIRS

No. 1033

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20 December 1982

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## PLANNING AND PLAN IMPLEMENTATION

### PLANNING SEEN AS INTEGRATING FORCE

Moscow APN DAILY REVIEW in English 18 Nov 82 pp 1-12

[Article by V. Ivanchenko: "Integral State Plan"]

[Text] Already in the early Soviet years V.I. Lenin regarded an integral state plan as an effective instrument by means of which to mobilise the scanty material and technical resources of this country for the rehabilitation of its economy destroyed by the imperialist and civil wars, the campaign against starvation and unemployment, the transformation of Russia's backward border areas, and the shaping of its socialist economy into a single economic complex.

Today these are historic accomplishments of an unprecedented socialist system of plan-based economic development. Coordinated long-term, five-year and current plans form a continuous system of guiding the development of the social, economic, scientific and technical aspects of the economy of mature socialism. The resolution of the CPSU Central Committee on the 60th anniversary of the formation of the USSR (1982) says that "In our mature society a single national economic complex is successfully developing-- the material foundation of the fraternal friendship of the peoples of the USSR. The Soviet Union today is a mighty industrialized power with a highly mechanized agriculture, advanced science and culture. The economy of each Republic occupies a significant place in the social division of labour, making an ever more significant contribution to the national wealth of the country."

The creation of the large-scale economy of developed socialism within the single economic complex's structure which is being steadily perfected is a vivid manifestation of the main specific features of a social system based on the socialization of the means of production.

The formation of the multinational state of the workers and peasants rested on the solid foundation of Marxist-Leninist economic teaching, Lenin's nationalities policy of the CPSU, the socio-political and ideological unity of society, and the deeply integrated and steadily growing material and technical foundation of the state which is being upbuilt by all Union Republics. This made it possible to turn, in a historically very short time, a once backward agrarian country into a great industrial power commanding a tremendous scientific and technical potential.

The proportion of the USSR in world industrial output grew from 1 percent in 1922 to 20 percent at present. Today its national wealth exceeds 2.9 trillion roubles. In the output of major products, underscoring the economic possibilities of a nation, the USSR holds first or second place in the world. The defence capacity of this country is reliably ensured. The economy of developed socialism is a single economic complex incorporating today's socio-economic complexes of the Union Republics and those of the former national border areas of tsarist Russia which have now registered tremendous successes. The resolution on the 60th anniversary of the formation of the USSR says that the country has coped, in the main, with evening out the economic development levels of the Soviet Republics, ensured the de jure and de facto equality of all its nations and nationalities and that a new historical community of people, the Soviet people, has taken shape. This is a result of the growing internationalisation of economic and public life and the development of socialist nations in this country which have established relations of genuine equality, fraternal mutual assistance and cooperation, respect and mutual trust.

In their efforts to build the material and technical foundation of socialism the Soviet people proceeded from the Leninist methodology of planning, Lenin's principles and methods of economic development which cover the gradual transformation of productive forces and the relations of production, all aspects of the life of a new society and which are closely connected with the development of the initiative and creativity of the masses and the socialist emulation of work collectives. This process has been successfully growing since the GOELRO plan and the first five-year plan.

Five-year plans are an effective tool for the revolutionary transformation of the Soviet economy, a school of the new, socialist relations of production and foundation for the rapid development of the system of planning inherent in socialism.

Generalising the early experience of socialist construction and creatively developing the Marxian theory, Lenin convincingly showed that under socialism the organization of economic activity should proceed from the principles of the unity of the political and economic approach to economic questions, science-based economic management, democratic centralism, economic accounting, the combination of incentives and moral stimuli, one-man management and collective leadership, the development of socialist emulation, the scientific organisation of work, the conscious labour discipline of the working people, their creativity, efficiency, responsibility and strict adherence to communist principles and organisation.

L.I. Brezhnev noted that Lenin's ideas about the combination of centralised planning with the development of the initiative of the working people, the use of commodity-money relations, economic accounting, incentives and the fusion of the interests of society as a whole with those of its every worker continue to be major bearings for the economic policy of the Party.

V.I. Lenin inseparably connected all the principles of the guidance of socialist production with the socialization and concentration of production, the performance of all the sectors and links of the economy on the basis of an integral plan, with changes in the social pattern of society, the growth of the educational standards, class self-realisation and self-discipline of the working people and the role they play in the managerial field. "In the final analysis, every kind of democracy serves production and is ultimately determined by the relations of production in a given society," Lenin wrote.

A discovery of historic importance, Lenin's scientific principles of plan-based economic management are steadily implemented in the course of the economic activity of socialist society. Along with the development and improvement of the public ownership of the means of production which constitutes their objective foundation, these principles remain immutable, although their content grows richer and the forms and methods of their application change in the course of socialist construction. The tremendous experience of the USSR and other socialist countries convincingly points to the steady implementation of Lenin's principles in economic practice and makes it possible to materialise the advantages of the socialist economic system.

The principles of the socialist economic system constitute a single whole. It is impossible to discard one or several of these principles, leaving the remainder intact, or replace them by others. The opponents of socialism, bourgeois ideologists, right- and left-wing revisionists, petty bourgeois fumbler and anti-Communists attempt to discredit and distort Lenin's principles and practice of socialist economic planning, interfere with the effective application of these principles to economic activity, and deprive the socialist economy of its main asset--balanced development under an integral state plan.

Planning is a form of guidance objectively inherent in the socialist economy. Thanks to planning, the USSR needed only five years (its first five-year plan) to turn from an agrarian into an industrial nation. Following fulfilment of the first five-year plan, industry's share in the USSR's gross national product rose to 40.82 percent. The material and technical foundation of socialism took final shape in the 1950s. In 1978, industry accounted for 63.8 percent of the gross Soviet social product. As a result of steady industrialization in 1980 compared with 1940, the output of mechanical engineering and metal-working taken together by 72 times, overall industrial production by 21 times, the amounts of energy and electricity available per industrial worker by 7 times, and labour productivity 7.7 times with productivity in mechanical engineering having increased by 21.8 times. Thanks to planning, in a short time the USSR overcame the grim consequences of the second world war, created a large-scale modern economy and emerged in the forefront of the world production of major commodities illustrating its national economic might.

Lenin's principles of economic management make part and parcel of his theory of socialist construction which is a scientific plan for building a new society. They constitute the firm backbone of the economic policy of the CPSU. Proceeding from the prevailing factors and the targets of socialist construction, the Party perfects the forms and methods of the implementation of these principles through the creative development of the Marxist-Leninist economic theory and struggles against all attempts to revise these principles.

The fulfilment of five-year plans made it possible to cope with the historic tasks of industrialization, the collectivization of agriculture, the initiation of new economic branches and sectors of production, their retooling, and the socio-economic development of the country. Simultaneously, the USSR formed a system of yearly and quarterly plans which underlies the day-to-day management of production, the development of relations based on economic accounting and the use of the specific forms of commodity and money relations in the planned socialist economy.

The first five-year plan underscored the special importance of the rates and proportions of the development of economic branches in contact with the scale and structure of investments, manpower training, and the growth of production and labour productivity. Socio-economic issues made, for the first time, a special section of the plan. Attention was concentrated on the key problems of the development of the Union Republics, the formation of economic regions and their specialization, the assessment and utilisation of natural resources, the sectoral amounts of energy available per worker, the reconstruction of production and transport.

The methods and organization of planning were being perfected from one five-year plan to another. After the war, under the fourth and fifth five-year plans, more stable planning forms and indicators as well as plan elaboration deadlines were introduced. The role of qualitative indices in adopting planning decisions was increased, as was control over their fulfilment. In the 1950s and 1960s, planning came to accentuate the role of goal-oriented programmes. In that period economic plans were extended to include comprehensive programmes for the chemization and growth of agriculture, space exploration, the generation of atomic electricity and the development of virgin lands and resources in the Eastern USSR.

In the 1960s major social, economic and other issues made it necessary to step up economic growth and accelerate scientific and technical progress. This presented new demands to planning and its cooperation with all the elements of the economic machinery, which found reflection in the decisions of the 23rd CPSU Congress and of the March and September (1965) Plenary Meetings of the CPSU Central Committee. In the course of the implementation of these decisions, a system of undertakings was shaped, covering planning, management, financing, crediting, price formation, economic accounting, incentives and other forms of economic stimulation. Certain shortcomings in the methods and institutional aspects of economic planning were removed. The economic machinery as a whole was closer connected with its foundation--centralised planning and economic leverage and incentives.

The 24th CPSU Congress clearly defined the basic features of the economy of developed socialism and the ways of the further perfection of the theory and practice of economic planning, with an eye to the new conditions and tasks of the socio-economic development of the country. The economy of developed socialism is an integral economic complex covering all links of social production, distribution and exchange, including foreign economic relations and the international division of labour. Guidance of this complex requires adequate, more mature and developed forms and methods of planning, its higher scientific standards and deeper penetration into the objective processes of the development of socio-economic relations.

Developed socialism increases the importance of the steady growth of the relations of production. Moving to the foreground are problems connected with raising the property of collective farms and other cooperatives to the level of the property of the whole people, overcoming differences between town and countryside and between mental and manual work, improving working conditions, perfecting distribution and stimulating the labour activity of the members of society. In the field of foreign economic relations, a major emphasis is laid on the further development of the plan-based cooperation on the scale of the national economy in combination with the division of labour. This refers, in particular, to the CMEA countries' economies which develop on the basis of the Comprehensive Programme for Socialist Economic Integration. Nowadays the economic integration of the CMEA countries rests on the draft programme for the coordination of their economic plans, covering a period up to 1990.

The system of integral state plans is being further developed. It currently includes a 20-year comprehensive programme of scientific and technical progress, and 10- or 15-year long-range plans. Five-year plans are becoming the main form of planning and of the organisation of economic guidance. Programmes are prepared to complement sectoral and territorial planning. The personnel of enterprises and organisations play the role of growing importance in current planning and in the achievement of the aims formulated in five-year plans. Economic accounting, economic levers and incentives become part and parcel of the integral economic mechanism.

The establishment of major production, science-and-production and industrial associations in the primary managerial echelon introduces radical changes into all aspects of the activities of an enterprise and increases its possibilities and opportunities in the field of planning, the retooling of production and its specialisation, the establishment of direct economic links with suppliers and major consumers, the development of relations based on economic accounting and in effecting economic manoeuvres. Associations tackle all questions connected with the social development programmes of enterprises more efficiently and promote the participation of personnel in management.

The 24th, 25th and 26th CPSU Congresses and statements by L.I. Brezhnev set forth a profound scientific analysis of today's problems of the plan-based guidance of the large-scale economy of developed socialism and ways for their solution. This analysis underscores the need to lay greater

stress on long-range planning, the furtherance of the principle of integrated development and goal-oriented programmes, and the optimization of solutions through computerised variant handling; the concentration of efforts and resources on major national programmes; the effective combination of sectoral and territorial development, long-term and current issues; and the issuance of balanced economic growth; the extensive application of the economic science, the introduction of the latest scientific methods, in including economic-mathematical techniques, and automated management systems; and the orientation of planning towards performance results, the study and satisfaction of public requirements, and increasing the role of the social aspect of planning decisions. The perfection of management should proceed on the basis of a comprehensive system of measures covering the basic aspects of economic management. The above analysis stresses the need to strengthen the two main principles of democratic centralism.

The importance of these ideas for theory and practice lies in their generalising the tremendous experience the CPSU accumulated in the course of socialist construction and in providing the basis for further elaboration of the basic and applied problems of the scientific methodology of planning and economic management.

The decisions of the 26th CPSU Congress and the November (1981) Plenary Meeting of the CPSU Central Committee specified ways and methods to improve the economic machinery with an eye to the tasks of the 11th five-year plan and the near future in general. Special stress is laid on the transfer of the economy mostly to intensive growth factors, the economy drive and the solution of the food problem as a major component of the social and economic policy of the Party in a period ending in 1990.

The USSR Food Programme, covering a period until 1990, is a regular process of the implementation of the agrarian policy which was shaped by the March (1965) Plenary Meeting of the CPSU Central Committee and which has permitted a big step forward to be made in the past 15 years improving the agrotechnical side of agriculture and its material and technical infrastructure, ensure a sizeable increase in agricultural output and created the basis for the implementation of the Food Programme.

It is a specific feature of the Food Programme that it wholly relies on scientific and technical progress, the comprehensive mechanisation of field and animal husbandry, the retooling of the food processing sectors and the development of the infrastructure of the agro-industrial complex. The scale of this tremendous work is illustrated by the projected provision of agriculture with over 3.7 million tractors and some 1.2 million grain harvester combines. The USSR will install process equipment worth 15,000-17,000 million roubles in the various segments of the agro-industrial complex. Chemization will grow further. The output of grain, meat, eggs and fish, milk, vegetables and fruits will increase considerably under the 11th and 12th five-year plans. Questions connected with the construction of housing, cultural facilities, public amenities in the countryside, the development of medical services and manpower training are being settled along with these production issues.

The preparation of the Food Programme and the organisation of its fulfilment illustrates the essence of the integrated approach to the targets of the plan and the ensurance of its fulfilment. The implementation of the plan requires the effective performance of the economic mechanism at every level of management, first of all, in its primary link, consisting of collective and state farms and the enterprises and organisations of the agro-industrial complex. The more harmonious combination of sectoral and territorial plans is made possible, first, by a system of programmes dovetailing the sectoral and regional aspects of their implementation; second, by the formation of the agro-industrial complex and major territorial complexes and their development planning; third, by setting territorial planning priorities (ecology, manpower, natural resources, production infrastructure, etc.); fourth, by the elaboration of consolidated plans for the integral economic development of the Union Republics, big cities and regions.

The decisions, passed by the CPSU Central Committee and the USSR Council of Ministers, on the Food Programme of the USSR and on the improvement of the economic machinery of the development of the agro-industrial complex, vividly characterise the efforts which the Party, the government, scientists, the Soviet people as a whole exert in this field.

Major questions pertaining to the improvement of the economic mechanism are being worked out further to better planning, management and to stimulate scientific and technical progress. It will be necessary, above all, to use the mechanism of capital investments more efficiently to promote the technical level of production and the necessary changes in the pattern of reproduction, step up the renewal of production apparatus and range of products and, simultaneously reduce the investment intensity of production, introduce progressive methods and modern machine systems, facilitate the specialisation of production and the unification of sub-assemblies and components, accelerate the retooling and reconstruction of enterprises and increase the efficiency of production and consumption.

A great deal of research is underway to update the institutional structures and methods of economic management, particularly to achieve uniformity in guiding the complexes of homogeneous and interdependent sectors; put an end to departmental disunity and steadily to combat the dispersal of production of the relevant sectors, primarily in mechanical engineering by the associations and individual enterprises of consumer sectors. It will be necessary to ensure greater harmony in the work of national agencies, simplify the procedure and reduce the time of bringing planning decisions and other directives down to the organisation responsible for their fulfilment, reduce the time of decision-taking and establish national and regional, permanent and temporary intersectoral management centres to guide themselves by goal-oriented programmes.

An integral economic mechanism, meeting the aims and conditions of the performance of the economy of developed socialism at the current stage should result from the efforts to implement the policy of the Party for improving economic management.

Intensive work is being started to prepare the scientific, normative methodological and organisational backing of the plan for the 12th five-year period and for a period ending in the year 2000 and also of a 20-year comprehensive programme of scientific and technical progress till the year 2005. For these purposes, it will be necessary to make a profound scientific analysis of the present-day level of productive forces and the relations of production, the socialisation of production, the social division of labour and its cooperation, and the operation of the system of economic laws.

The overall approach to perfecting the economic mechanism will make it necessary to increase the role which the integral plan plays in the solution of these problems, and ensure gradual transition from the elaboration of undertakings to be effected in the major directions of the improvement of planning--the institutional structures of management, the financial-credit mechanism, price formation, economic relations based on economic accounting, etc.--to the plan-based (by five years) updating of the economic mechanism as a whole, covering the entire system of the plan-based guidance of national social and economic development and economic activity in all fields and at every level.

This approach will make it possible to create the necessary conditions for the steady and comprehensive use of the advantages of the socialist economic system in inseparable unity with the scientific and technical revolution, ensure, thanks to this, the intensive and dynamic development of the economy, carry out deep-going structural and social transformations, and solve problems connected with raising efficiency of production and the quality of work.

(Voprosy Ekonomiki No 10, 1982. Abridged)

CSO: 1812/26

## PLANNING AND PLAN IMPLEMENTATION

### STATUTE ON GOSPLAN USSR

Moscow SOBRANIYE POSTANOVLENIY PRAVITEL'STVA SOYUZA SOVETSKIKH  
SOTSIALISTICHESKIKH RESPUBLIK in Russian No 20, 1982 pp 372-383

[Statute on the USSR Planning Committee (Gosplan USSR)]

[Text] Ratified by a decree  
of the USSR Council of Ministers  
of 17 June 1982, No 544

### STATUTE ON THE USSR PLANNING COMMITTEE (GOSPLAN USSR)

1. The USSR State Planning Committee (Gosplan USSR) is a union-republic organ carrying out statewide planning of the economic and social development of the USSR.
2. The chief task of Gosplan USSR as the central organ of state operation in the field of planning is preparation in accordance with the Program of the CPSU, decisions of CPSU congresses and decrees of the CPSU Central Committee and the USSR Council of Ministers of drafts of state plans of economic and social development of the USSR and their submission to the USSR Council of Ministers and also control over the fulfillment of these plans.

State plans of economic and social development of the USSR must be based on the requirements of the economic laws of socialism, deep analysis of economic and social processes in the building of communism and on present achievements and prospects of scientific-technical progress and provide dynamic, systematic and proportional development of the national economy, growth of labor productivity and of efficiency of public production for the purpose of creating a material-technical base for communism, satisfying the growing material and spiritual requirements of the Soviet people and strengthening the country's defense capability.

State plans provide for the most effective ways of achieving high end national economic results, the solution of major national economic problems, a proper combination of sectorial and territorial development, realization of special-goal integrated scientific-technical, economic and social programs and also

programs for development of individual regions and most important regional-production complexes. Here there must be provided a combination of centralized planning with economic independence of associations, enterprises and organizations, the initiative and creative activity of labor collectives, local soviets of people's deputies.

3. Gosplan USSR is guided in its activities by USSR laws, other decisions of the USSR Supreme Soviet and its Presidium, decrees and regulations of the USSR Council of Ministers, other normative acts and also the present Statute.

4. Gosplan USSR exercises coordination of the activities of USSR ministries and departments and councils of ministers of union republics in the field of planning of economic and social development as well as methodological supervision and exchange of experience in this field and, in the compilation of plans and exercise of control over their fulfillment, ensures cooperation with Gosstrib USSR, the USSR State Committee for Science and Technology, Gosstroy USSR, the USSR State Committee for Labor and Social Problems, the USSR State Committee for Prices, the USSR State Committee for Standards, the USSR Ministry of Finance, the USSR CSA, the USSR Academy of Sciences, the AUCCTU, the USSR Committee of People's Control and other interested ministries and departments.

5. Gosplan USSR bears responsibility for raising the scientific level, perfecting methods and improving organization of state planning, all-round validity and balance of prepared drafts of plans of economic and social development of the country, proper disposition of productive forces on the basis of union republics and economic regions and for prevention of bottlenecks in the national economy, maximum use of available reserves for growth of the efficiency of public production.

Gosplan USSR within the framework of existing legislation is authorized to implement all the necessary measures for ensuring the qualitative and timely development of state plans and special-goal integrated programs and their fulfillment.

In carrying out the functions bestowed on it, Gosplan USSR must act decisively against bureaucracy and local favoritism.

6. Gosplan USSR must provide in the drafts of state plans of economic and social development of the USSR:

a stable increase of the national income and its rational distribution, dynamic and proportional development of sectors of the national economy and industry, advancing growth of results of production and labor productivity compared to material and other outlays;

correct determination of priority of development of sectors and economic regions and on this basis perfecting of national economic proportions, improvement of the structure of public production and coordination of all sections of the plan, the necessary material, financial and other reserves;

necessary measures aimed at the realization of an effective demographic policy for the Soviet state, extension of the lifespan and labor activity of the people and improvement of their health;

all-out development of science and technology, effective utilization of the achievements of science and technology in the national economy, accelerated realization of scientific-technical discoveries and developments, integrated mechanized and automation of production, improvement in quality of production output;

integrated solution of scientific-technical, economic and social problems, concentration of efforts and resources for the fulfillment of the most important statewide programs;

rational disposition of the productive forces on the territory of the country while taking into account advisable specialization in all-union division of labor and the integrated development of the economies of the union republics and economic regions and improvement of interrepublic, interregional and intersectorial ties;

further development of the transport network on the basis of rationalization of transport connections;

efficient utilization of fixed capital and production capacities, intensification of regime of economy, rational utilization of material resources and elimination of losses in the national economy, involvement in economic turnover of incidental [poputnyye] products and byproducts, secondary materials and fuel and power resources;

rational utilization of capital investment, its increased effectiveness, lower cost and improved quality of construction, speeding up of startup of fixed capital and production capacities and their full use in the shortest possible time;

raising of profitability of production, reduction of production cost and marketing costs, increase of profit, improvement in utilization of financial resources;

growth of labor productivity, rational utilization of the country's labor resources, provision of all sectors of the national economy with qualified cadres;

implementation of measures on rational utilization and reproduction of natural wealth and on protection of environment;

steady growth of the population's real income, increased production of consumer goods, improvement of their quality and expansion of the assortment, improved working and living conditions, development of sectors of the service sphere;

further development and deepening of economic ties with countries of the socialist community, expansion of national-economic and scientific-technical

cooperation, greater effectiveness of foreign trade and other forms of foreign economic activity;

accumulation of needed state material resources;

measures for strengthening of the country's defense capability.

7. Gosplan USSR is assigned:

(a) the preparation jointly with USSR ministries and departments and councils of ministers of union republics of plans of the basic directions of economic and social development of the USSR for the extended period and of long-term and current state plans in the sectorial and territorial contexts;

(b) the organization jointly with the USSR State Committee for Science and Technology, interested USSR ministries and departments and councils of ministers of union republics and the USSR Academy of Sciences of development of special-goal integrated scientific-technical, economic and social programs as well as programs of development of individual regions and regional-production complexes;

(c) determination of the order and time periods of preparation and presentation of drafts of long-term and current plans as well as of special-goal integrated national-economic programs for USSR ministries and departments and councils of ministers of union republics on the basis of set time periods for presentation of the drafts of these plans and programs by Gosplan USSR to the USSR government;

(d) development of a scientific basis of planning, methodological instructions, indicators and forms for the compilation of the plans;

(e) the development within the framework of state plans of economic and social development of the USSR of consolidated sections for the entire complex of measures in the field of social development;

(f) the development on the basis of proposals of USSR ministries and departments and councils of ministers of union republics of balances for the basic forms of material, financial and labor resources, ensuring the stable and proportional development of the economy;

(g) the carrying out of coordination of the work of USSR ministries and departments and ministries and departments of the union republics for the creation and introduction of an integrated system of progressive technical-economic norms and quotas for development of drafts of plans, including material, labor and financial norms and quotas, norms and quotas of capital investment and utilization of production capacities (with the exception of norms and quotas developed and approved by Gosstroy USSR and the USSR Ministry of Finance) and also methodological supervision of this work; establishment of a procedure of preparation, examination, approval and use of norms and quotas;

(h) the development jointly with USSR ministries and departments and councils of ministers of union republics with the participation of the USSR Academy of Sciences and the AUCCTU of measures for the further improvement of forms and methods of management, the economic mechanism and planning of the development of the national economy and economic stimulation of production;

(i) the preparation and presentation of conclusions on drafts of the USSR state budget, credit and cash plans;

(j) the preparation with the participation of USSR ministries and departments and councils of ministers of union republics of proposals on the development of foreign economic ties of the USSR, on improvement of interstate specialization and cooperation of production, on coordination of the state plans of economic and social development of the USSR with the state plans of other socialist member-countries of the Council of Economic Mutual Aid and on the development of socialist economic integration on the basis of long-term special-goal programs of cooperation;

(k) the development with the participation of the Ministry of Foreign Trade, the USSR State Committee for Foreign Economic Relations and other USSR ministries and departments and councils of ministers of union republics of drafts of plans for the export and import of goods as well as drafts of plans of delivery of equipment and materials for facilities being built abroad with the technical cooperation of the Soviet Union;

(l) the preparation jointly with the USSR Ministry of Finance on the basis of drafts of foreign exchange plans and calculations for them presented by USSR ministries and departments and councils of ministers of union republics, drafts of consolidated annual foreign exchange plans and reports on the fulfillment of these plans, and the compilation jointly with the USSR Ministry of Finance and the USSR State Bank of the balance of payments of the USSR;

(m) the organization jointly with the USSR Academy of Sciences of scientific research on economic and social problems;

(n) the introduction and development of an automated system of plan calculations, coordination of the work of USSR ministries and departments on ensuring the interoperation of sectorial and departmental automated systems of control with the automated system of plan calculations of Gosplan USSR as well as the organizational methodological supervision of this work;

(o) the study and generalization of the economic problems of the world socialist community and of the experience of individual socialist countries in the planning and management of the national economy and preparation of proposals on the use of this experience and ensuring of the solution of the chief economic tasks of the Soviet Union in close coordination with the development of socialist economic integration;

(p) the realization in accordance with established procedure and within the limits of its competence of ties with institutions and organizations of the socialist, developing and other foreign countries.

8. Gosplan USSR:

(a) assigns with the participation of Gosstab USSR and appropriate USSR ministries and departments and councils of ministers of union republics the targets of annual plans of economic and social development USSR for quarters;

(b) develops with the participation of USSR ministries and departments and councils of ministers of union republics and approves plans for the production of manufactured goods, balances and plans of allocation of material resources on the basis of the products list planned by Gosplan USSR and balances of production capacities for the output of important types of products;

(c) approves targets for the reduction of norms of expenditure of material resources and norms of expenditure of materials on individual needs and types of work (in the field of construction--jointly with Gosstroy USSR), determines types of fuel for newly constructed, expanded and modernized enterprises and determines with the participation of Gosstab USSR the volume of use of appropriate forms of secondary raw materials with the establishment of balances and plans of distribution of material resources according to the products list planned by Gosplan USSR;

(d) develops and approves:

plans of planning and prospecting work and with the participation of Gosstroy USSR plans of development of the network and material-technical base of planning and prospecting organizations in coordination with plans of capital construction, with schemes of development and location of sectors of the national economy and sectors of industry, with schemes of development and disposition of productive forces for economic regions and union republics;

volume of contracting work and volume of commodity construction production, balances of the production capacities of construction-installation organizations, targets for growth of labor productivity and reduction of production cost in construction for USSR ministries and departments and union republics;

other sections and targets of plans and technical-economic norms in accordance with established procedure;

(e) examines and presents to the USSR Council of Ministers listings and title lists of the most important construction projects of production designation, examines listings and title lists of other construction projects of production designation with an estimated cost of 3 billion rubles or more presented to USSR ministries and departments and councils of ministers of union republics for approval and approves the title lists of newly started construction projects and facilities conducted on the basis of foreign licenses and on the basis of sets of imported equipment.

(f) develops on the basis of proposals of USSR ministries and departments and councils of ministries of union republics balances of labor resources and

carries out with the participation of the USSR State Committee for Labor and Social Problems planning of distribution and redistribution of manpower among sectors of the national economy and union republics;

(g) incorporates refinements into the targets of state plans stemming from decisions of the USSR government as well as in connection with the introduction in accordance with established procedure of new prices that were not taken into account in approved plans and examines proposals on changes in state plans presented for coordination by USSR ministries and departments and councils of ministers of union republics in accordance with rights granted to them.

(h) takes part jointly with the USSR State Committee for Prices, the USSR Ministry of Finance and other ministries and departments in the development of measures for the improvement of price formation in the national economy;

(i) approves jointly with the USSR State Committee for Labor and Social Problems the most important targets for the introduction of scientific labor organization in sectors of the national economy;

(j) develops and establishes for USSR ministries and departments in agreement with the AUCCTU and the USSR Ministry of Finance stable norms for the formation of economic stimulation funds and the sizes of these funds for the pertinent plan period;

(k) brings within the time periods set by the USSR government to USSR ministries and departments and council of ministers of union republics targets of state plans of economic and social development of the USSR.

#### 9. Gosplan USSR:

carries out verification of the timeliness and correctness of USSR ministries and departments and councils of ministers of union republics getting targets of state plans of economic and social development to associations, enterprises and organizations;

exercises control over the fulfillment of the indicated plans and their stability and over the effective use of fixed production capital and production capacities, capital investment, natural, material, labor and financial resources, conducts systematic and complex analysis of the course of fulfillment of plans and provides instructions to USSR ministries and departments on the elimination of discovered defects in the development of individual sectors;

systematically reports to the USSR government on the course of plan fulfillment, develops and implements measures for the prevention and elimination of disproportions in the development of the national economy.

10. Gosplan USSR generalizes the practice of use of legislation on questions coming under its competence, develops proposals for the improvement of this legislation and submits them to the USSR Council of Ministers for examination.

11. Gosplan is granted the right:

(a) to enlist for the development of drafts of plans and individual national economic problems the USSR Academy of Sciences, the academies of sciences of union republics, sectorial academies of sciences, scientific-research, technological and planning-design organizations, higher educational institutions and other institutions as well as individual scientists, specialists and pacemakers of production;

(b) to hear reports of heads of ministries, departments, associations, enterprises, institutions and organizations on the course of fulfillment of plans and on other questions coming under its competence;

(c) to receive:

from the USSR Central Statistical Administration statistical data needed for the development of state plans and verification of their fulfillment and preparation of proposals on individual economic questions;

from ministries, departments and also directly from associations, enterprises, institutions and organizations regardless of their departmental subordination materials needed for the development and verification of fulfillment of state plans, including statistical materials of ministries possessing departmental statistics and other information materials;

(d) to assign to USSR ministries and departments the working out of individual problems connected with the development and increased effectiveness of sectors of the national economy and solution of tasks of complex development of inter-related sectors of industry and economic regions of the country;

(e) to form interdepartmental commissions and councils for the working out and examination of individual national-economic problems and also to convoke in accordance with established procedure conferences on questions coming under its competence;

(f) to introduce changes in the system of indicators of plans of economic and social development on the basis of the basic tasks of long-term and current planning and the necessity of raising the efficiency of public production, speeding up the introduction of the achievements of science and technology and improving the economic mechanism with a subsequent report to the USSR government;

(g) to return to ministries and departments for revision drafts of plans not meeting imposed requirements;

(h) to provide ministries and departments with instructions on the elimination of violations of state plan discipline and also on fuller utilization of existing reserves. On determination of cases of undesignated use of capital investment allocated to ministries and departments, to provide instructions to Stroybank USSR and Gosbank USSR on terminating their financing till the adoption of a decision on this question by the USSR Council of Ministers.

12. The USSR State Planning Committee is formed consisting of the Chairman of Gosplan USSR, appointed by the USSR Supreme Soviet, Deputy Chairmen and members of the Committee appointed by the USSR Council of Ministers.

The membership of Gosplan USSR includes the chairmen of Gosstat USSR, the USSR State Committee for Science and Technology, Gosstroy USSR, the USSR State Committee for Labor and Social Problems, the USSR State Committee for Prices, the Minister of USSR Finance, the Chief of the USSR Central Statistical Administration, the vice president of the USSR Academy of Sciences, the secretary of the AUCCTU, the chairmen of gosplans of union republics, the chairmen of the planning commissions of Moscow City Executive Committee and Leningrad City Executive Committee, the chiefs of the leading departments of Gosplan USSR as well as major scientists, specialists and operational heads.

Gosplan USSR examines at its regularly held sessions fundamental questions of economic and social development of the USSR, drafts of long-term and current state plans and also the very important special-goal integrated national economic complex national economic programs.

A collegium is set up at Gosplan USSR consisting of the Chairman of Gosplan USSR (the collegium chairman), Deputy Chairmen of Gosplan USSR in the way of duties and also other supervisory personnel serving as members of Gosplan USSR. Members of the collegium of Gosplan USSR are approved by the USSR Council of Ministers.

The collegium of Gosplan USSR examines at its sessions basic questions of state planning, improvement of national economic proportions, raising efficiency of public production, providing a balanced economy, improving the methodology and organization of planning at different levels of management and the course of preparation of plans and programs, control over the fulfillment of current and long-term plans, organization, style and methods of work of the apparatus of Gosplan USSR, questions of selection, placement and training of cadres and strengthening of performance discipline.

Decisions adopted on the basis of the results of examination of the indicated questions are implemented by decrees and orders of Gosplan USSR. In case of disagreement between the Chairman of the Committee and the collegium, the Chairman implements his decisions, reporting on the arisen disagreement to the USSR Council of Ministers, while members of the collegium in turn can communicate their opinion to the USSR Council of Ministers.

At sessions of the USSR State Planning Committee and of the collegium of Gosplan USSR, members of the USSR government as well as heads of USSR departments having a direct relation to the discussed questions participate in necessary cases.

Gosplan USSR reports to the USSR Council of Ministers on adopted decisions and also conveys these decisions on pertinent questions to interested USSR ministries and departments and union republics.

Gosplan USSR on the basis and in fulfillment of existing legislation issues within the limits of its competence decrees and instructive directives, which are obligatory for execution by ministries, departments and other organizations.

In necessary cases, Gosplan USSR puts out jointly with other state committees and USSR ministries and departments decrees and instructive directives.

The Chairman of Gosplan USSR issues orders and instructions that are obligatory for fulfillment by organizations and institutions within the jurisdiction of Gosplan USSR.

13. The basic structural subdivisions of Gosplan USSR are departments.

Chiefs of basic departments of Gosplan USSR are appointed to the position and are relieved of the position by the USSR Council of Ministers.

Groups of departments of interrelated sectors and spheres of activity are combined into administrations for complex planning headed by Deputy Chairmen of Gosplan USSR.

14. Gosplan USSR has its representatives with appropriate apparatus in individual economic regions. Representatives of Gosplan USSR are appointed to the position and relieved of the position by the USSR Council of Ministers.

Representatives of Gosplan USSR act on the basis of the Statute on the Representative of Gosplan USSR ratified by the USSR Council of Ministers.

15. A group of economic advisors, formed of major scientists and specialists, works under the Chairman of Gosplan USSR.

Gosplan USSR may form commissions, councils and permanent and temporary sections headed by members of Gosplan USSR and involving the participation of scientists and specialists for the examination of materials and preparation of proposals on key problems of the national economy, its sectors and economic regions as well as special-goal programs.

16. For the expert study of the most important national economic problems, the general scheme of location of productive forces of the USSR, schemes of development and disposition of sectors of the national economy and sectors of industry, validating the feasibility of construction of large complex facilities, important methodological and normative materials and researches on prospects of economic and social development, a State Expert Commission is formed in Gosplan USSR consisting of scientists and highly qualified specialists.

17. Gosplan USSR supervises the work of scientific-research and other organizations existing under it.

18. Gosplans of union republics are subordinated to the council of ministers of the corresponding union republic and Gosplan USSR.

19. The structure and number of personnel of the central apparatus of Gosplan USSR are approved by the USSR Council of Ministers.

The table of organization [shtatnoye raspisaniye] of the central apparatus of Gosplan USSR is approved by the Chairman of Gosplan USSR.

20. Gosplan USSR has a seal depicting the State Emblem of the USSR and its name.

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CSO: 1820/5

## INVESTMENT, PRICES, BUDGET, AND FINANCE

### USSR FINANCE MINISTER ON CEMA CURRENCY, FISCAL ISSUES

Moscow EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV in Russian No 10,  
Oct 82 pp 42-46

[Article by USSR minister of Finance Vasiliy Garbuzov, chairman of the CEMA standing commission on currency and financial issues: "Twenty Years of the CEMA Standing Commission on Currency and Financial Issues"]

[Text] The CEMA standing commission on currency and financial issues, a collective body for cooperation among fraternal countries in this important sphere of their mutual economic ties, was established in December 1962. International financial specialists are preparing to celebrate its 20th anniversary at the same time as the Soviet people and all progressive humanity are celebrating the 60th anniversary of the formation of the Union of Soviet Socialist Republics, the world's first unitary Union multinational state of workers and peasants. "The 20th Century has brought greater changes than any earlier century. And no country has made a greater contribution to these changes than the Union of Soviet Socialist Republics, the homeland of Great October, and the first country of victorious socialism," General Secretary of the CPSU Central Committee Comrade L. I. Brezhnev said at the 26th party congress.

The formation of the USSR and its forward advance along the road of building socialism and communism served as a persuasive example which led many peoples of the world to join efforts on an international scale based on relations free from the discrimination, domination, and subordination typical of the capitalist world. The fraternal countries of socialism provide an example of such relations. In the decree of the CPSU Central Committee entitled "The 60th Anniversary of the Formation of the Union of Soviet Socialist Republics," it is emphasized: "Inherently socialist relations among states are embodied most fully in the socialist community. This community personifies the new, socialist type of international relations among equal, sovereign states joined by common fundamental interests and goals, Marxist-Leninist ideology, and the ties of comradely solidarity, mutual assistance, and multifaceted cooperation."

#### Formation of the International Currency and Financial Mechanism

Over the course of 20 years the principal activity of the CEMA standing commission on currency and financial issues has been further refinement of tools which will actively promote growth of ties in the economic area, consolidation of the



Vasiliy Garbuzov, USSR minister of Finance, chairman, CEMA Standing Commission on Currency and Financial Issues

socialist community, and solutions to the problems which are paramount in the foreign policy of the USSR and the other CEMA members.

The first and primary result of this activity was participation by the commission in working out the currency-financial and credit mechanism which today is rightly called the socialist international currency system. This mechanism was developed by order of the communist and worker parties of the CEMA countries. The new system is based on the international socialist collective currency, the transfer ruble. In order for it to function within the framework of a system of multilateral accounts and mutual credit the commission helped the CEMA members set up two collective banks: the International Bank of Economic Cooperation (MBES) and the International Investment Bank (MIB).

Until the early 1960's economic cooperation among the socialist countries was carried out on a bilateral basis and chiefly involved the circulation sphere. Under these conditions international accounts were handled primarily by bilateral clearing accounts where currency receipts from trade with a particular country could be used only for buying in that country.

As the international socialist division of labor deepened bilateral currency relations could no longer properly promote further expansion of economic cooperation among the CEMA countries. Bilateral balancing of payments limited growth in commodity turnover to the level of commodity deliveries of the countries with the smallest export capabilities. An objective need arose to regulate account and credit relations on a multilateral basis. For this reason the Conference of Representatives of the Communist and Worker Parties of the CEMA Countries, which met in June 1962, pointed out the necessity of developing organizational and financial conditions for a transition from the clearing system of accounts to a more sophisticated system, multilateral accounts.

To achieve this the Council of Economic Mutual Assistance had to set up a special body which would work out all the necessary elements of the new international currency and financial mechanism and then refine them in conformity with the task of subsequent stages of development of economic and scientific-technical cooperation among the CEMA countries. Thus the CEMA standing commission on currency and financial issues appeared. The decision to form it was adopted at the 17th session of the Council on Economic Mutual Assistance, held 14-20 December 1962.

The commission was given the objective of promoting the organization and continued development of multilateral economic and scientific-technical cooperation among members of the Council by refining currency-financial and credit relations. At the present time its job includes comprehensively reviewing and resolving the most important problems of multilateral cooperation in this area, above all those envisioned by the Comprehensive Program and by long-term special programs of cooperation.

The first session of the commission in February 1963 was an organizational meeting. The second, in March 1963, prepared a draft agreement on a system of multilateral accounts and transfer rubles and organization of the International Bank of Economic Cooperation, as well as a draft of its charter. In July 1963 these documents were approved by the Conference of First Secretaries of Central Committees of the Communist and Worker Parties and Heads of State of the CEMA Countries. On 1 January 1964 the new currency-financial mechanism designed to facilitate multilateral accounts and credit for foreign trade transactions went into effect. Since that time the currency received from one of the CEMA countries can in principle be used freely for payment in any other country that participates in the system of transfer ruble accounts.

Following a decision of the 23rd (special) CEMA Session held in April 1969 at the level of the heads of the communist and worker parties, in 1970 one more important element was added to the currency-financial mechanism: medium-term and long-term credit for capital investment through the International Investment Bank, which was set up for this purpose. Thus the present international currency-financial system of the CEMA countries was formed. Its basic principles were approved at the higher party and state level. A large number of highly qualified practical and scientific workers took part in developing them, including financial specialists, planners, legal experts, and other specialists with a thorough mastery of the issues of credit, price formation, and foreign trade.

#### The Currency System in Action

Since the international currency-financial mechanism was set up the CEMA members have accumulated considerable experience with its functioning. This experience convinces us of the reliability of the socialist currency system. It supports uninterrupted accounts for all types of economic ties, promotes a broadening of foreign trade circulation, and in large part protects the countries of the socialist community from the negative influence of the capitalist economy. Thanks to the transfer ruble the CEMA countries do not have to use the dollar and other capitalist currencies in their mutual economic ties. Given the aggravated conflict between the two socioeconomic systems this independence has both economic and great political significance.

At the 36th session of CEMA Comrade N. A. Tikhonov, chairman of the USSR Council of Ministers, emphasized: "The experience of recent years inspires the socialist countries to strive for even greater solidarity, consolidating their technical and economic independence." At the present time the existence of the international socialist market using the transfer ruble enables CEMA members to satisfy the largest part of their import needs for the principal types of fuel, raw materials, machinery, and equipment at prices that are lower than world market prices. The share of mutual exchange in the foreign trade circulation of the CEMA countries in 1981 rose to almost 55 percent. These countries deliver iron ore, coke, ferrous and nonferrous metal, gas, petroleum and petroleum products, timber and lumber, machinery and equipment, cotton, food, and consumer goods to one another for transfer rubles.

The primary feature of the transfer ruble is that it is not the currency of any one country, but rather is an international socialist collective currency, even though it does have a name that resembles the name of the Soviet monetary unit. At the present time the transfer ruble is the currency of 10 CEMA countries and is supported by their combined economic potential and their agreed-upon mechanism for managing the integration process within the CEMA framework. No one country can independently put transfer rubles into circulation. In order to receive them

one must sell goods to other CEMA countries. Thus the transfer ruble receives real commodity support. Concerning this the Comprehensive Program states: "The socialist collective currency (the transfer ruble) has real commodity supports on the basis of planned development of the commodity circulation of the CEMA countries at agreed-upon contract prices established on the basis of world prices cleansed of the harmful influence of the situational factors of the capitalist market. This gives it stability and independence from the crisis phenomena of the capitalist currency system."

As the currency of a planned economy the transfer ruble serves above all those commodity flows which are the result of coordination of the national economic plans of the CEMA countries and are envisioned in long-term trade agreements and annual protocols. At the same time the system of multilateral accounts makes it possible to use all available assets in transfer rubles for any trade and non-trade transactions. Thanks to this the CEMA countries in fact use transfer rubles in payment for both planned and above-plan mutual deliveries of goods. Thus, in 1981 the USSR exported goods worth about 400 million transfer rubles beyond agreed-upon volume to its CEMA partners.

The collective currency is successfully used in the activity of the International Bank of Economic Cooperation, which carries on all accounts in this currency and gives two types of credit: term credit and account credit. The former (with a maximum term of three years) is used to meet the planned needs of the CEMA countries that arise in the course of economic cooperation. The credits are used to cover a temporary excess of import over export, to expand commodity circulation in connection with the seasonal character of export, to even out balances of payments, and in other circumstances. The account credit is a supplementary element of the account-credit mechanism of the bank and gives the system a certain flexibility. It can be used to even out a short-term excess of unplanned payments over receipts.

The currency-credit mechanism of the International Bank of Economic Cooperation in transfer rubles functions dynamically, as the table given below indicates.

Table (in billions of transfer rubles)

| Year | Volume of Mutual Accounts<br>of CEMA Countries | Sum of Credits<br>Granted by MBES |
|------|------------------------------------------------|-----------------------------------|
| 1964 | 22.9                                           | 1.51                              |
| 1965 | 24.1                                           | 1.81                              |
| 1970 | 35.4                                           | 1.98                              |
| 1975 | 66.9                                           | 4.1                               |
| 1980 | 122.9                                          | 9.7                               |
| 1981 | 140.2                                          | 11.7                              |

In the period from 1964 to 1981 accounts handled in the collective currency through the International Bank of Economic Cooperation exceeded 1 trillion

transfer rubles. The volume of credit granted by the bank during its entire existence has been 76 billion transfer rubles. The bank also carries on customary banking transactions in freely convertible currency and gold. Taking this into account the Bank carries on different transactions with more than 1 billion transfer rubles each day.

The other joint bank of the CEMA countries, the International Investment Bank, also actively promotes development of socialist economic integration. The 23rd (special) session of the Council of Economic Mutual Assistance assigned it to medium-term and long-term credit for activities related to the international socialist division of labor, specialization and cooperation in production, broadening the raw material and fuel base in the multilateral interest, and building facilities in other sectors of the economy.

Formation of the bank was an important step towards further deepening and refining economic cooperation among the CEMA countries in the field of currency-financial relations and in development of international socialist credit. With the formation of the International Investment Bank it became possible in practice to concentrate the resources of the CEMA countries for the purpose of using them in a coordinated and maximally efficient manner. The principal job of the bank is to grant credit for capital construction, formation of new fixed capital, and reconstruction and expansion of the capacities of existing enterprises and to improve the efficiency of capital investment supported by bank credit in member countries.

During its existence the International Investment Bank has accepted 81 projects with an estimated cost of 9.6 billion transfer rubles for credit in collective and convertible currency. Credit in the amount of more than 3.5 billion transfer rubles has been allocated for construction and reconstruction of these facilities.

Between 1972 and 1982 51 projects for whose construction and reconstruction bank credit was granted were launched in operation. During these same years these facilities in the CEMA countries produced almost 40 billion cubic meters of gas, more than 120,000 trucks and buses, about 33,000 railroad cars, electrical engineering equipment and electronic devices, instruments, and other equipment, roughly 80,000 tons of semifinished products and alumina, presses and pressing equipment worth more than 550 million transfer rubles, agricultural and processing machinery worth 1.6 billion transfer rubles, high-quality fabrics, and many other goods that are in great demand in the countries of the socialist community. During this time the CEMA members have received about 11 billion transfer rubles worth of output from projects built with bank credit. The export of goods from these facilities to the industrially developed capitalist countries and the developing countries has also increased.

The largest construction project of socialist economic integration which used large sums of credit from the International Investment Bank was the Orenburg gas condensate deposit and the Soyuz trunk gas pipeline. Putting this unique project into operation ahead of schedule enabled the Soviet Union to deliver 15.5 billion cubic meters of natural gas a year to the countries that participated in construction. Considering the great integration significance of this project, credit in transfer rubles was granted on privileged conditions.

The International Bank of Economic Cooperation and the International Investment Bank also help achieve the important goal of bringing about a gradual convergence and evening out of the levels of economic development of the particular countries. The credit mechanism of the banks and their interest policy promote this. The International Bank of Economic Cooperation, for example, charges interest rates of 2-5 percent to all CEMA members, but the interest rates for Mongolia, Cuba, and Vietnam are 0.5-2 percent. In 1981 these countries received 2.6 billion transfer rubles of credit from the International Bank of Economic Cooperation and paid 6.2 million transfer rubles at privileged rates of interest. At conventional interest rates they would have had to pay more than 19 million transfer rubles. Their direct economic gain was more than 13 million transfer rubles. Such benefits provide additional sources for economic development in formerly backward countries.

The commission constantly devotes a great deal of attention to improving the international currency-financial mechanism of the countries of the socialist community, especially in light of the objectives envisioned by the Comprehensive Program. This refers to the fact that currency-financial and credit relations should play a more active part in solving the problems of continued development and consolidation of planned economic cooperation and in the development of socialist economic integration. With this purpose the commission is constantly improving its style, form, and methods of work, adapting them to the demands made by the current phase of development of socialist economic integration.

#### Realization of Priorities

In conformity with the decision of the 32nd CEMA session the commission worked out concrete measures aimed at further improvement of the organization of multilateral cooperation among CEMA members in the field of currency-financial and credit relations. These measures envision priority areas of commission activity such as studying and working out the questions of further enhancing the role of the transfer ruble and broadening the sphere of its application; refining currency-financial and credit instruments during implementation of measures in the fields of economic and scientific-technical cooperation, including realization of long-term social programs; refining the account-credit relations of CEMA members related to the activity of the International Bank of Economic Cooperation and the International Investment Bank; concentrating commission activity on exchange of know-how and scientific cooperation in the field of financial and bank work on the key problems whose solutions will make it possible to bolster the effect of the financial-credit mechanism on raising production efficiency in the CEMA countries.

A good deal has been done to realize these priorities. But as before, our primary attention is concentrated on enhancing the role of the transfer ruble and broadening the sphere of its use.

The transfer ruble today has a broad sphere of application. It is used in foreign trade transactions among CEMA countries, performing the characteristic functions of an international currency as a measure of value, means of payment, and means of savings. Foreign trade prices for export and import of goods are set in transfer rubles, and all accounts on commodity turnover are paid in this currency.

The transfer ruble is more and more widely used when granting and repaying short-term, medium-term, and long-term credit both through the two international banks and directly between countries. The collective currency of the CEMA countries is used in accounts for joint construction of projects, to support international production, scientific, and other enterprises and organizations of the CEMA countries, and for transactions in the service sphere, including all types of transportation, insurance, and the like.

It has been observed many times in organs of the Council on Economic Mutual Assistance that the mechanism of accounts and credit in transfer rubles is entirely appropriate to the contemporary conditions of planned economic cooperation among CEMA members.

The commission has developed a number of normative and methodological documents that promote deepening cooperation among CEMA countries in the spheres of material production, capital construction, and scientific-technical cooperation. Specifically, statutes have been instituted that help solve many currency-financial and credit problems of joint construction and operation of projects and scientific-technical cooperation. Sample statutes on currency-financial accounts related to cooperation in scientific and technical research have been adopted. Sample statutes on financing and clearing accounts for interstate economic and international economic organizations of the CEMA countries have been ratified. More favorable currency-financial conditions have been established for the development of cultural and scientific exchange and tourism.

Exchange of know-how in the field of finance and bank work has become more meaningful. Since 1981 mutual consultation has been carried on within the commission framework on the topic "Improving the Finance-Credit and Currency Mechanisms of National Economic Management in the CEMA Countries." At the two most recent sessions of the commission the finance ministers of Bulgaria, Hungary, East Germany, and Czechoslovakia have presented reports on this issue. They have told about the latest directions of work to improve this mechanism in their countries.

Timely problems that require scientific substantiation are reviewed at meetings conducted by the scientific research finance institutes. Many joint studies are exploratory in nature. Recent meetings of the directors of scientific research and finance institutes have discussed problems concerning improving systems of using profit, mutual relations with the budget, and economic simulation in the industry of the CEMA countries; questions of encouraging a rise in the quality of industrial output in these countries; future (5-year) financial planning at industrial enterprises and associations; and, the financial aspect of managing this sector of the economy.

The mutual consultation and exchange of know-how carried on within the framework of the commission promotes coordination of the currency-financial and credit policy of the CEMA members in relation to its national and international aspects. At the same time, there is a need for further improvement of this work, specifically directing it to a possible convergence of the structures of the economic mechanisms of the interested CEMA countries and development of direct links between the enterprises, associations, ministries, and departments of these countries, as was noted at the 35th CEMA session.

Putting these measures into effect will make it possible to bolster the influence of the currency-financial mechanism on such important spheres of mutual cooperation among CEMA members as material production, scientific-technical cooperation, foreign trade, and cultural cooperation.

### Upcoming Challenges

Definite successes have been achieved in the past, but a great deal still remains to be done. And not all problems are being solved as quickly as we would like. There are various reasons. In many cases the necessary material preconditions do not exist, and we do not always manage to find the path that meets the interests of all participants right away. Therefore an intense and creative search is underway within the framework of the commission for mutually acceptable solutions. The leaders of the fraternal parties and states are directing us this way. The remarkable words of L. I. Brezhnev serve as an example for all: "We are working hand in hand with our class comrades from the socialist countries. Together we are building, and this is not done under easy conditions, truly just, truly fraternal relations among peoples. Without exaggeration we can say that this is one of the noblest lines of activity in human history."

In addition there are questions whose solutions cannot be stepped up while neglecting material conditions. One of them, for example, is commodity support for certain assets in transfer rubles. It can happen, sometimes frequently, that capital in transfer rubles existing in accounts in the International Bank of Economic Cooperation cannot be immediately turned into the goods that the countries need beyond deliveries of goods envisioned in protocols for the corresponding year. It is plain that eliminating such difficulties does not depend on the system of currency accounts and degree of its sophistication. They are the result of a shortage of the particular goods which are needed beyond the plan (the agreed-upon amount) in the international market of the CEMA countries at the particular moment.

"Consolidating and strengthening the role of the collective currency (the transfer ruble)," the Comprehensive Program states, "is a process composed of measures both in the currency sphere and in the spheres of material production and foreign trade." The task of steadily increasing commodity resources in the socialist community is being accomplished consistently and by plan on the basis of raising the economic efficiency of production in each country by intensification, deepening international specialization and cooperation, and carrying out long-term special programs of cooperation. Fulfillment of the Food Program adopted by the May 1982 Plenum of the CPSU Central Committee will also be important for the USSR.

In our view, however, there are also questions whose solutions could be stepped up. Among them are further increasing the stimulating role of bank interest rates on credit, improving credit planning, and more completely balancing the payment relations among CEMA countries on the condition of strict compliance with the fundamental principles of cooperation among them: insuring equivalency and mutual advantage in economic exchange.

It is now necessary to reach agreement on ways to solve long-term, strategic problems. These problems have been formulated in the documents of the party

congresses of recent CEMA sessions. We are referring to practical realization of the need for closer economic consolidation of the CEMA countries, which is not dictated by external factors alone. This need arises above all from the necessity to accelerate the transition of national economies to the intensive path of development. At the 36th CEMA session, Comrade N. A. Tikhonov, chairman of the USSR Council of Ministers, stated: "For this there must be a profound revision of the structure of public production on a progressive scientific-technical basis taking into account the mutually complementary character of the economies of our countries. We must jointly work out strategic decisions, select efficient areas of production specialization, and combine our scientific-technical potential effectively. The economic mechanism of cooperation also needs further refining."

These are pressing problems for all organs of the council today, including the CEMA standing commission on currency and financial issues. While working on them it is important to refine the corresponding instruments so that above all they promote more rapid development of mutual cooperation and deepening socialist economic integration.

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## REGIONAL DEVELOPMENT

### DEVELOPMENT OF PRODUCTIVE POTENTIAL OF CENTRAL ASIA

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 10, Oct 82 pp 26-34

/Article by S. Ziyadullayev, chairman of the Central Asian Commission on the Problem "Distribution of the Productive Forces of the USSR" of the Scientific Council of the USSR Academy of Sciences, academician of the UzSSR Academy of Sciences: "Development of Productive Forces of Central Asian Republics"

/Text/ The decree of the CPSU Central Committee "On the 60th Anniversary of the Formation of the Union of Soviet Socialist Republics" notes that modern industry, agriculture, science and a genuine flourishing of culture are characteristic for each of the Union republics. The workers of the Central Asian Republics in the friendly family of Soviet nations also made big advances in economic and cultural development.

The Central Asian Economic Region, which includes Uzbekistan, Kirghizia, Tajikistan and Turkmenia, occupies a special place among the country's eastern regions and plays an important role in the production of many types of industrial and agricultural products in the USSR. Its importance in the economy of the country and of eastern regions is largely determined by natural and economic conditions, the created production potential, the population's traditional labor skills and other factors.

During the years of Soviet power the former backward outlying district of tsarist Russia--Central Asia--was transformed into one of the country's advanced industrial regions. As a result of the rapid industrial development the levels of development of regions were equalized gradually and the gap in the economy and culture, which had existed before the Great October Socialist Revolution between central industrial regions and backward national outlying districts, was eliminated. This became possible owing to the Leninist national policy, socialist system, disinterested assistance of the great Russian nation and friendship of all the nations and nationalities of the USSR.

Rapid rates of economic and social development are characteristic for the Central Asian Republics. In particular, this is exemplified by the growth of the total volume of industrial output, which in 1980, as compared with 1940, rose 16-fold in the Uzbek SSR, 17-fold in the Kirghiz SSR, 18-fold in the Tajik SSR and 12-fold in the Turkmen SSR. The rates of growth of gross agricultural output increased 4.63-fold in the Uzbek SSR, 3.65-fold in the Kirghiz SSR, 4.4-fold in the Tajik SSR and 4.86-fold in the Turkmen SSR respectively. During the 10th Five-Year Plan alone,

as compared with the 9th Five-Year Plan, industrial output increased by 27 percent in the Uzbek SSR and the Kirghiz SSR and by 30 percent in the Tajik SSR. At the same time, the output of consumer goods (group "B") increased by 45 percent in the Uzbek SSR, by 40 percent in the Tajik SSR and by 27 percent in the Turkmen SSR.

Many heavy industry sectors developed at rapid rates. The growth of electric power engineering, which is the core of the modern economy, is a graphic example. From the first years of Soviet rule paramount importance was attached to the mentioned sector. The following major electric power stations were built on the basis of the fuel and power resources available in the region: the Syr-Darya GRES in Uzbekistan, the Nurek GES in Tajikistan, the Uchkurgan and Toktagul GES in Kirghizia, the Mary GRES in Turkmenia and so forth. The accelerated rates of increase in the output of electric power are characterized by the following data (in billion kwhr):

|             | <u>1970</u> | <u>1980</u> |
|-------------|-------------|-------------|
| Uzbek SSR   | 18.3        | 33.9        |
| Kirghiz SSR | 3.5         | 9.2         |
| Tajik SSR   | 3.2         | 13.6        |
| Turkmen SSR | 1.8         | 6.7         |

Now in these republics there is not a single city, rayon, village, kolkhoz or sovkhos where electric power is not used. Electric transmission lines were built simultaneously with electric power stations. The Unified Central Asian Power System presently operates successfully, regularly supplying electric power to the Central Asian Republics and South Kazakhstan.

Large-scale machine building was established in the region during the years of socialist construction. Its proportion in the total volume of industrial output constitutes about 30 percent in the Kirghiz SSR and approximately 18 percent in the Uzbek SSR. The republic provides all cotton sowing republics with machines and spare parts for an overall mechanization of cotton growing and of the cotton cleaning industry.

On the basis of uncovered natural resources the gas industry is developing successfully in the Uzbek SSR and the Turkmen SSR. These republics not only provide themselves with natural gas, but also transmit it through gas pipes to the Tajik, Kirghiz and Kazakh SSR, as well as to the country's central industrial regions. Coal extraction is increasing in Uzbekistan, Tajikistan and Kirghizia. Furthermore, the use of water power resources is growing at accelerated rates in Tajikistan and Kirghizia. These republics occupy one of the first places in the country with respect to these resources.

The chemical industry, nonferrous metallurgy and the construction materials industry are developing intensively. For example, in Uzbekistan the production of mineral fertilizers increased from 4.1 million tons in 1970 to 6.5 million tons in 1980. At the same time, millions of tons of nitrogen fertilizers not only meet the needs of cotton growing and other sectors of agriculture in the republic, but are also transported to other regions. Such facilities as the Almalyk Mining and Metallurgical Combine imeni V. I. Lenin and the Navoiyazot Production Association, enterprises of the South Tajikistan Territorial Production Complex, Ashkhabad and Chirchik Glass Plants, Akhan-Garan and Kant Cement Plants and so forth are known far beyond the region's boundaries.

Together with the continuous growth of production and expansion of the assortment of products progressive structural and qualitative changes based on the latest achievements of science and technology have taken place in the national economic sectors of the Central Asian Republics, especially in the last 15 to 20 years. For example, as a result of the use of local resources the structure of electric power engineering is changing. The proportion of thermal electric power stations operating on natural gas and coal is growing in Uzbekistan and Turkmenia and the proportion of hydroelectric power stations using water power resources, in Tajikistan and Kirghizia.

Whereas previously the production of agricultural machines was considered the main sector of machine building, now electrical and radio engineering, electronic, instrument making and other sectors of industry are also developing at accelerated rates. The region's machine building is becoming diversified, ensuring technical progress and overall mechanization and automation in all the other sectors of the national economy and an increase in the efficiency of public production.

In the chemical industry, along with the production of mineral fertilizers, the output of plastics, polymers, artificial and synthetic fiber, chemical plant protection agents, herbicides and other progressive items ensuring the chemicalization of the national economy is increasing rapidly. The extraction, as well as the processing, of local minerals, that is, copper, lead, zinc, tungsten, aluminum, antimony, mercury and so forth, is increasing in nonferrous metallurgy. In the extraction of some nonferrous and rare metals the Central Asian Republics occupy the leading place in the country. In the construction materials industry, along with the manufacture of traditional materials--brick, slate, glass and so forth--the production of reinforced concrete articles, marble, granite, large-panel house construction products and other progressive materials is growing at accelerated rates. This is the basis for the industrialization of capital construction.

The Central Asian Republics also made significant advances in the development of light and food industries. The growth of the production of cotton fiber, which has a big proportion in industrial output, can be seen from the data in table 1.

Table 1

(in thousand tons)

| Republic    | <u>Production of cotton fiber by years</u> |         |         |
|-------------|--------------------------------------------|---------|---------|
|             | 1940                                       | 1970    | 1980    |
| Uzbek SSR   | 534.0                                      | 1,384.0 | 1,745.0 |
| Kirghiz SSR | 27.9                                       | 59.2    | 63.4    |
| Tajik SSR   | 60.9                                       | 235.0   | 288.1   |
| Turkmen SSR | 71.5                                       | 222.7   | 360.1   |

The capacities of existing cotton cleaning plants are sufficient for the processing of all the raw cotton produced in the region. Plants are being equipped with more productive, new machinery, drying and cleaning shops are being built and an overall and continuous process of cotton treatment "from the field to plants" is being introduced.

The production of raw silk is increasing. In the Uzbek SSR it increased from 1,172 tons in 1970 to 1,711 tons in 1980, in the Tajik SSR, from 322 to 742 tons and in the Turkmen SSR, from 229 to 237 tons respectively.

Previously, sectors for the initial processing of agricultural products predominated in light and food industries. Now there is an ever greater output of cotton and silk fabrics, knitwear, footwear, sewn articles, canned goods and confectionery and many other products meeting the growing needs of the Soviet people. In Uzbekistan alone in 1980 a total of 215.7 million meters of cotton fabrics were manufactured and the output of silk fabrics increased from 50.4 million meters in 1970 to 116.6 million meters in 1980. The output of such major light industry enterprises as Tashkent and Bukhara Textile Combines, Margilan, Namangan and Leninabad Silk Combines, Turkmen and Andizhan Knitwear Combines, Tashkent, Samarkand and Kuvasay China Plants and many others is known not only in the USSR, but also abroad. Silk fabrics, especially satin, china with a national pattern, carpets, ceramics and other articles are in great demand by customers.

The qualitative shifts occurring in the national economy, the high technical and economic indicators and the introduction of scientific and technical achievements create the conditions necessary for the further increase in the efficiency of public production and labor productivity growth. In 1970-1980 labor productivity in the industry of the Uzbek SSR rose 140 percent, of the Kirghiz SSR, 143 percent, of the Tajik SSR, 129 percent and of the Turkmen SSR, 136 percent.

The advances of the Central Asian Republics in agriculture are also significant. Concentrating about 9 percent of the country's population, the economic region produces a large amount of cotton, silk cocoons, kenaf, vegetables, fruits and grapes. Data on the rates of growth of gross agricultural output in the republics are presented in table 2.

Table 2

| Republic    | (in % of 1940)                               |      |      |      |
|-------------|----------------------------------------------|------|------|------|
|             | Rates of growth of gross agricultural output |      |      |      |
|             | by years                                     |      |      |      |
|             | 1965                                         | 1970 | 1975 | 1980 |
| Uzbek SSR   | 241                                          | 304  | 357  | 463  |
| Kirghiz SSR | 235                                          | 290  | 335  | 365  |
| Tajik SSR   | 239                                          | 296  | 370  | 440  |
| Turkmen SSR | 239                                          | 331  | 414  | 486  |

Under good natural and climatic conditions irrigated farming ensures a stable and dynamic development of the production of agricultural products and makes it possible to control drought successfully.

The region accounts for 90 percent of the all-Union production of raw cotton. Data on the growth of raw cotton production during the last two five-year plans are presented in table 3.

Table 3

| Republic    | Gross output (including average annual), million tons |           |       | Yield, quintals per hectare |           |      |
|-------------|-------------------------------------------------------|-----------|-------|-----------------------------|-----------|------|
|             | 1971-1975                                             | 1976-1980 | 1980  | 1971-1975                   | 1976-1980 | 1980 |
| Uzbek SSR   | 4,895                                                 | 5,702     | 6,237 | 28.5                        | 31.3      | 33.2 |
| Kirghiz SSR | 205                                                   | 210       | 215   | 27.6                        | 28.5      | 28.2 |
| Tajik SSR   | 810                                                   | 905       | 1,011 | 30.7                        | 30.7      | 32.8 |
| Turkmen SSR | 1,011                                                 | 1,143     | 1,258 | 23.1                        | 22.7      | 24.8 |

Cotton growing is developing not only through a rise in the standard of farming and an improvement in agrotechnology, but also as a result of the continuously growing overall mechanization and chemicalization of production processes. Owing to the advances of socialist industry, kolkhozes and sovkhoses are annually equipped with new tractors and other machinery and supplied with mineral fertilizers and toxic chemicals for the control of agricultural pests.

The Uzbek SSR accounts for more than 65 percent of the all-Union production of cotton. After the March (1965) Plenum of the CPSU Central Committee its average annual output in the republic increased by 2.5 million tons. Cotton growing--the main sector of agriculture in the Uzbek SSR--was developed through a combination of intensification with an extensive management of agriculture, that is, through an increase in the yield with an expansion of areas by means of the development of new tracts of virgin land. Whereas in 1940 the yield of cotton was 15 quintals per hectare, in 1970 it rose to 26.3 quintals and in 1980 it reached 33.3 quintals per hectare. During the 10th Five-Year Plan 70 percent of the increase in cotton production was obtained as a result of the rise in the yield of cotton alone. The same tendencies also exist in the region's other republics.

In cotton growing basic production processes--plowing, sowing, cultivation, fertilizer application and others--are fully mechanized. With regard to the labor intensive process--cotton picking--machines are used here ever more widely. Whereas in the Uzbek SSR in 1940 a total of 2 percent of the cotton was picked by them, in 1981, more than 60 percent and in some rayons, kolkhozes and sovkhoses 80 to 95 percent of the gross output. The Tashkent Tashsel'mash Plant imeni Voroshilov, which is the only plant in the USSR to manufacture cotton picking combines, produces more than 9,000 of them annually. Its output is not only dispatched to all the country's cotton sowing republics, but is also exported to foreign countries.

Significant advances were also made in such sectors of agriculture as silkworm breeding, karakul breeding, vegetable growing, horticulture and viticulture. The growth of production in these sectors during the 9th and 10th Five-Year Plans is shown in table 4.

Attaching exceptional importance to the development of the region's agriculture, the party takes the necessary measures to strengthen its material and technical base. The delivery of machinery and mineral fertilizers to agriculture increases

year after year. Whereas in 1975 about 7 million tons of mineral fertilizers were delivered to the Central Asian Economic Region, in 1980, more than 8 million tons. At present agriculture has more than 250,000 tractors and a great deal of other equipment. Improved, new machines are received every year. Fixed productive capital and the power-worker ratio in agriculture are increasing.

Table 4

| Republic    | (in thousand tons, on the average, in a year) |           |                    |           |                                              |           |
|-------------|-----------------------------------------------|-----------|--------------------|-----------|----------------------------------------------|-----------|
|             | Volume of production                          |           |                    |           |                                              |           |
|             | of grain crops                                |           | of vegetable crops |           | of fruits, berries, grapes and citrus fruits |           |
|             | 1971-1975                                     | 1976-1980 | 1971-1975          | 1976-1980 | 1971-1975                                    | 1976-1980 |
| Uzbek SSR   | 1,053                                         | 2,297     | 1,127              | 2,070     | 777                                          | 1,134     |
| Kirghiz SSR | 1,087                                         | 1,307     | 271                | 340       | 169                                          | 242       |
| Tajik SSR   | 203                                           | 294       | 257                | 332       | 321                                          | 412       |
| Turkmen SSR | 151                                           | 257       | 185                | 260       | 77                                           | 82        |

An efficient utilization of the possibilities of agriculture is an urgent task under present conditions. Significant shifts have occurred in it, primarily in cotton growing, in the last 15 to 20 years. They include the increase in the efficiency of utilization of irrigated land, overall mechanization and chemicalization of production processes, establishment of a close interconnection of cotton growing and other sectors of agriculture and gradual introduction of crop rotation, which ensures the preservation of soil fertility and creates the basis for the development of animal husbandry.

The agriculture of the last few decades is characterized by an extensive development of new irrigated land, deserts and foothills for the purpose of an increase in the production of cotton and other agricultural crops. During the last five-year plan the area of irrigated land increased, totaling the following (in thousand tons):

|             | <u>1975</u> | <u>1980</u> |
|-------------|-------------|-------------|
| Uzbek SSR   | 3,006       | 3,476       |
| Kirghiz SSR | 910         | 955         |
| Tajik SSR   | 567         | 617         |
| Turkmen SSR | 819         | 927         |

Vast changes took place not only in old irrigation zones, but, especially, on the newly developed land of the Hungry, Karshi and Dzhizak Steppes and of the lower reaches of the Amu-Darya. The USSR Food Program for the Period Until 1990 envisages putting no less than 900,000 hectares of irrigated land to use here and watering 2.6 million hectares of pastures. The development of new and reconstruction of old irrigation systems are accompanied by a fundamental transformation of irrigated farming through the construction of reservoirs and engineering and hydraulic structures and the establishment of new and concreting of old canals and water distributors.

Fundamental shifts have also occurred in the social and domestic sphere in the last few years. The life of rural workers is changing qualitatively. Modern well-planned settlements and dwelling houses with electricity, water supply, sewer systems, radio installation, television, gasification and central heating are being built in rural areas. The living conditions of the rural and urban population are being equalized and the distinctions between urban and rural areas and between mental and physical labor are being erased.

Proceeding from the main task of the 11th Five-Year Plan defined by the 26th CPSU Congress, that is, to ensure the further rise in the well-being of the Soviet people on the basis of a stable progressive development of the national economy, acceleration of scientific and technical progress and transfer of the economy to an intensive path of development, specific assignments for each Central Asian Republic have been envisaged. During the 11th Five-Year Plan the gross industrial output of the Uzbek SSR will increase by 28 to 31 percent, of the Kirghiz SSR, by 21 to 24 percent, of the Tajik SSR, by 24 to 27 percent and of the Turkmen SSR, by 21 to 24 percent. The average annual production of raw cotton in the Uzbek SSR will total 5.9 million tons, of the Tajik SSR, 0.9 million tons and of the Turkmen SSR, 1.2 million tons.

In accordance with the Basic Directions in the Economic and Social Development of the USSR for 1981-1985 and for the Period Until 1990 major problems will have to be solved in the Central Asian Republics. The regional characteristics of our economic region--availability of mineral-raw-material and land resources and the rates of growth of the population and of labor resources--should be taken into consideration during long-term planning. The data of table 5 indicate the size of the population of Central Asia in the last 20 years.

Table 5

(in million people)

| Republic    | <u>Dynamics of the size of the population by years</u> |        |        |
|-------------|--------------------------------------------------------|--------|--------|
|             | 1959                                                   | 1970   | 1980   |
| Uzbek SSR   | 8,119                                                  | 11,799 | 16,158 |
| Kirghiz SSR | 2,066                                                  | 2,834  | 3,653  |
| Tajik SSR   | 1,981                                                  | 2,900  | 4,007  |
| Turkmen SSR | 1,516                                                  | 2,159  | 2,897  |

In the Central Asian Republics the rates of population growth are 2.5- to 3-fold higher than the average Union rates. According to the calculations of economists, this tendency will continue in the future. To solve the important problem of an efficient utilization of labor resources, it is necessary to ensure the further increase in the economic potential of the Central Asian Republics and to prepare the appropriate work places.

Speaking at the festive meeting in Tashkent devoted to the presentation of the Order of Lenin to the Uzbek SSR on 24 March of this year, L. I. Brezhnev dealt with the following tasks: improvement in the quality of grown cotton, improvement

in the utilization of potentials and production capacities, liquidation of equipment downtime and elimination of organizational disorders. The need for a fuller utilization of labor resources was stressed especially. Along with the surplus of manpower in the Central Asian Republics there is a shortage of workers in a number of sectors of industry and construction. It is necessary to take proper measures--to organize personnel training, to increase the industrial potential of medium-size and small cities, workers' settlements and rayon centers, where there are considerable labor resources, and to create interest among workers.

An acceleration of the rates of growth of the gross social product and national income is an urgent task. At the same time, it is necessary to take into account the need to increase in the future the per-capita production of food products, because every worker in the region has 2.1 to 2.3 dependents (whereas in the USSR, 1.2). From this it follows that the share of the consumption fund in the national income also increases.

The Central Asian Region has rich mineral-raw-material resources, owing to which accelerated rates of development of industry (especially of its labor intensive, but not water and energy intensive sectors), are possible. In Central Asia geologists uncovered the existence of 89 elements of Mendeleev's table (out of the 104 occurring in nature), a considerable part of which has not yet been developed. It is necessary to efficiently utilize the raw material base for the development of power engineering, nonferrous metallurgy, machine building, chemical, fuel, light, food and construction materials industries and other sectors.

Although the level of overall mechanization and automation has risen considerably and the labor intensiveness of public production per million rubles of the social product has declined by 35 percent in the last 10 years, nevertheless the proportion of manual labor, especially in subsidiary-auxiliary production, is high--30 to 35 percent--and in some production facilities, even more than 40 percent. The task of reducing its share through a widespread introduction of the achievements of science and technology into production processes and a rise in labor productivity has been set.

The decisions of the 26th CPSU Congress and the decree of the May (1982) Plenum of the CPSU Central Committee defined the prospects for the further development of the agroindustrial complex and the assignments of the USSR Food Program for the Period Until 1990. A reliable and regular provision of the population with food products in a sufficient quantity and of industry with agricultural raw materials is the most important task.

The following are the basic directions in the realization of the USSR Food Program:

proportional and balanced development of the agroindustrial complex and improvement in management, planning and economic incentives in all its sectors with the maximum orientation of production toward the attainment of high end results;

ensuring high rates of agricultural production on the basis of its systematic intensification, a highly efficient utilization of land, maximum possible strengthening of the material and technical base and an accelerated introduction of the achievements of science and advanced experience;

maximum possible improvement in the utilization of the production and technical potential of the agroindustrial complex, considerable increase in the return on capital investments and material resources and development of specialization and concentration of production on the basis of an expansion of interfarm and intersectorial relations;

fight for economy, thrift, reduction of losses and improvement in the quality of agricultural products through a widespread introduction of advanced production technologies, their processing and storage and organization of deliveries by specialized transport;

further improvement in social and domestic conditions in rural areas.

The growing needs of the Soviet people and their high cultural and educational level require a fuller satisfaction of their requirements. The food program represents the most important component of the party's economic strategy for the next few decades and another striking manifestation of its constant and purposeful concern for the good of the Soviet man. It defines the volumes and rates of production of the products of the sectors of the agroindustrial complex on the scale of the entire national economy, as well as throughout the Union republics.

The assignments of the food program for the average annual production of grain, meat and milk in the Central Asian Republics are presented in table 6.

Table 6

| Republic    | 11th Five-Year Plan        |                             |                         | 12th Five-Year Plan         |                             |                             |
|-------------|----------------------------|-----------------------------|-------------------------|-----------------------------|-----------------------------|-----------------------------|
|             | grain                      | meat                        | milk                    | grain                       | meat                        | milk                        |
| Uzbek SSR   | 2.8-3<br>million<br>tons   | 400-410<br>thousand<br>tons | 2.6<br>million<br>tons  | 3.3-3.5<br>million<br>tons  | 540-560<br>thousand<br>tons | 3.5<br>million<br>tons      |
| Kirghiz SSR | 1.4-1.6<br>million<br>tons | 170<br>thousand<br>tons     | 700<br>thousand<br>tons | 1.5-1.6<br>million<br>tons  | 200-210<br>thousand<br>tons | 770-800<br>thousand<br>tons |
| Tajik SSR   | 315<br>thousand<br>tons    | 110<br>thousand<br>tons     | 520<br>thousand<br>tons | 320-340<br>thousand<br>tons | 130-140<br>thousand<br>tons | 580-600<br>thousand<br>tons |
| Turkmen SSR | 380<br>thousand<br>tons    | 90<br>thousand<br>tons      | 325<br>thousand<br>tons | 450-480<br>thousand<br>tons | 110-111<br>thousand<br>tons | 360-370<br>thousand<br>tons |

The food program, along with the further development of the cotton complex and silkworm and karakul breeding in the region, envisages an accelerated cultivation of vegetables, melon crops, fruits, grapes and fodder. The Central Asian Economic Region can become a stable producer of vegetables, fruits and grapes and their main supplier for the entire country. This is favored by the existence of millions of hectares of the most fertile virgin land and of sufficient and rapidly growing labor resources, which for centuries have acquired skills in the cultivation of highly productive food crops. The 25-year experience in the irrigation and development

of virgin land in the Hungry Steppe and the present development of land in the Karshi Steppe fully demonstrated the high efficiency of irrigated farming. However, its development under the conditions of Central Asia and South Kazakhstan requires the solution of the urgent problem of water resources.

The expansion of the construction of waterworks and the development of new irrigated land, especially in the last 15 years (100,000 hectares of such land are developed annually in Uzbekistan alone), caused a decrease in the water resources of the Syr-Darya and the Amu-Darya. As a result, during that time the level of the Aral Sea was lowered by 7 to 8 meters with all the ensuing negative consequences, primarily for regions located in the lower reaches of the Amu-Darya (Khorezm Oblast and the Kara-Kalpak ASSR in Uzbekistan; Tashauz Oblast in Turkmenia; the part of the territory of Kazakhstan adjoining the Aral Sea). This led to a decline in the fish catch, devastation of the Amu-Darya delta, salinization of the adjoining territory, reduction of the feed base of animal husbandry and shortage of drinking water in a number of places. However, at the present level of development of new land and increase in the production of agricultural products the water management problem is becoming especially acute.

The solution of this problem presupposes primarily an efficient utilization of existing water resources and an increase in the efficiency of irrigation, which is now equal to 0.6. However, there are serious difficulties here. For example, about 300,000 hectares of land were irrigated and developed in the Hungry Steppe alone in 25 years. The most modern methods of irrigation and reclamation are applied extensively. The irrigation network is equipped with distributing engineering and hydraulic structures. Thousands of kilometers of water supply reinforced concrete flumes have been laid, horizontal and vertical drainage has been provided in all fields maps and so forth. Meanwhile, the average efficiency on farms in the Hungry Steppe is 0.7 and only on individual sovkhozes, 0.75 to 0.8.

A complete reconstruction of all land and of the irrigation system (their area totals more than 3 million hectares) will require vast capital investments and a large amount of scarce materials (cement, pipes and so forth). A complete reconstruction of the irrigation network will make it possible to save 3 to 4 billion cubic meters of water annually. Work on the reconstruction of irrigation systems is carried out on a large scale and the measures necessary for an economical expenditure of water are taken. At the same time, it seems that, to increase the production of agricultural products on a scale and at rates dictated by the country's growing needs, it is necessary to speed up the examination of the problem of diverting part of the runoff of Siberian rivers to the Central Asian Region. The 25th and 26th CPSU Congresses adopted decisions on the necessary scientific research and planning studies. According to the assignment of the USSR State Planning Committee and the USSR State Committee on Science and Technology about 150 of the country's scientific research and planning organizations are engaged in such studies. In 1980 the All-Union State Planning, Surveying and Scientific Research Institute of Water Management Construction prepared a technical and economic substantiation of this diversion. The interests of the further development of the country's productive forces, especially of the agroindustrial complex of Central Asia and Kazakhstan, require the most rapid solution of this problem.

The decree of the CPSU Central Committee "On the 60th Anniversary of the Formation of the Union of Soviet Socialist Republics" stresses that the "economy of every republic occupies an important place in the social division of labor and makes an ever more significant contribution to the country's national wealth." The achievements of the Central Asian Republics, whose workers successfully implement the decisions of the 26th CPSU Congress and of the May (1982) Plenum of the CPSU Central Committee, are a striking confirmation of this.

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## INTRODUCTION OF NEW TECHNOLOGY

### BENEFITS, COSTS OF IMPORTED EQUIPMENT WEIGHED

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[Article by S. Zakharov, chief of subdepartment of Gosplan USSR, Alma Ata: "Determination of Effectiveness of Imported Equipment and Questions of Economic Stimulation"]

[Text] Basic Directions of Economic and Social Development of the USSR for 1981-1985 and for the Period to 1990 set a task of rational utilization of the advantages of international division of labor and the possibilities of foreign economic relations for raising the efficiency of public production. At the same time, foreign economic activity would contribute to a fuller satisfaction of the needs of the national economy for progressive equipment, the latest production processes, raw and other materials as well as the population's demand for consumer goods. "It is necessary to understand the reasons," L.I. Brezhnev emphasized in the Accountability Report of the CPSU Central Committee to the 26th party congress, "why we sometimes lose our priority and spend a lot of money on purchasing abroad such equipment and technology which we could fully produce ourselves and, moreover, frequently of a higher quality."<sup>1</sup>

For the adoption of a valid decision on importation of equipment or, conversely, for the determination of the feasibility of domestic instead of imported, a comparative analysis is needed of possible variants while taking into consideration the influence of foreign trade and domestic prices. Beginning with the '50s domestic prices for imported equipment were determined by multiplying foreign trade prices (expressed in exchange rubles) by coefficients reflecting the existing relation of wholesale prices for comparable domestic equipment to foreign trade prices for imported equipment. Coefficients were established for a number of years for groups of equipment on the basis of a comparison of domestic and foreign trade prices of representative products. Under this procedure, domestic prices for imported and domestic equipment were found to be at the same level.

But with time there appeared defects in such a procedure of price formation. Fluctuations of world prices affected domestic prices of imported equipment. Growth of world prices for equipment which recently have exceeded domestic prices for comparable domestic equipment by 1.5-2-fold or more destroyed price level unity. The use of imported equipment was found less advantageous than that of the cheaper domestic equipment.

There was also revealed a deficiency in the indicator of budget effectiveness of importing of equipment, determined by the ratio of the domestic to the foreign trade price. This ratio expressed the size of the economy of national economic outlays from refusal of domestically produced equipment computed per exchange ruble of the foreign trade price. Today the domestic price of equipment, increased in the wake of the import price, has ceased to reflect the costs of its production and the said indicator of effectiveness no longer makes sense.

In recent years, for fuller accounting of actual currency payments, domestic prices for many types of imported equipment began to be set at no lower than import cost and with purchases on credit with the addition of interest for the credit. At the same time, the effectiveness of imports of equipment by foreign trade organizations continues as before to be determined by the relation of the domestic prices of imported equipment to its currency cost.

If, for example, the cost of equipment amounts to 10 million exchange rubles and it is purchased on credit under the following conditions: 20 percent--down payment in cash, credit repayment time--10 years, annual rate--7 percent, then the total interest payments equal about 3.1 million exchange rubles and the price of the delivered equipment to the purchaser is 13.1 million and the indicator of import effectiveness is 1.31.

Let us note that this manner of payment is characterized by the following defects. First, the size of the indicator of effectiveness does not react to change in the import price: a higher price for equipment does not result in a reduction of the indicator but, on the contrary, economy of exchange in the purchase--to its rise inasmuch as the domestic prices changes proportionately to the import price. Second, because of deterioration of credit conditions (growth of interest rate), the indicator of effectiveness is not reduced but increases. Third, the productivity of the equipment and its operational characteristics are not considered directly in the establishment of the domestic price.<sup>2</sup>

For the purpose of boosting the scientific substantiation of the methodology of price determination and the effectiveness of imports of equipment and the creation of a more perfect system of economic stimulation of the operation of foreign trade organizations and industry, let us examine possible ways of more calculation of national-economic expenditures on purchases abroad of machine tools and machines and of the economic results of their use.

In the determination of expenditures of the national economy on imported equipment, it is necessary to take into account outlays for the production and export of goods delivered in payment of this equipment if exports are stipulated. If the export of concrete goods is not provided for, then in the determination of expenditures it is necessary to take into consideration the purchase value of the expended currency, which is made possible by the conversion of exchange payments into domestic USSR rubles with the aid of special coefficients ( $k_v$ ), which characterize the average effectiveness of imports of goods in the appropriate exchange and take into consideration the state of reciprocal settlements between the USSR and other countries. In the calculation of the said coefficients in an automated system of planning calculations, the cost estimate

of imported goods is reduced to the level of existing wholesale prices reflecting outlays on the production in the USSR of comparable goods. In particular, there is introduced into the cost of consumer goods and foodstuffs, which are offered by foreign trade organizations to the national economy at the level of retail prices, containing a turnover tax, a reducing coefficient (roughly 0.7) for bringing their cost in conformity with the level of wholesale prices. The technique of determining the economic effectiveness of foreign economic ties of the USSR, which was approved by a decree of Gosplan USSR of 25 February 1980, provides that coefficient  $k_v$  is used in calculations of the effectiveness of all forms of foreign economic and scientific-technical connections.

The average effectiveness of imports shows the cost of goods in domestic rubles purchased for one exchange ruble. The multiplication of currency payments by this coefficient converts them to the cost of goods that could be purchased. In the same way, losses to the national economy are computed in connection with refusal to import other goods. The state of reciprocal payments is reflected in the size of the purchase value of appropriate forms of exchange through a determination of possible losses on an exchange gain (in a favorable balance) and, conversely, through consideration of the advantages of those exchange funds that are characterized by a relatively high purchase capability and shortage.

In solving the questions of imports of equipment on credit, it is essential to understand that installment paying does not at all free one from payment of the full nominal price of the equipment; moreover, it is increased by the amount of the interest for the credit. The purchase of equipment on credit is economically advantageous only when higher price can be compensated by a gain through the productive use in the national economy of funds freed because of postponement of payments. If credit is to be paid for by a determined amount of interest on the value of the borrowed funds, it would be advisable on the condition of securing a profit from the use of the involved funds for more than the sum of the interest.

The values of different conditions of purchase of equipment for credit (the period of credit extension, the interest rate and so on) are integrated into the coefficient of credit influence ( $k_{kr}$ ) characterizing the ratio of the indicated currency payments (shown for the year of use of credit) to the nominal non-exchange [invalyutnaya] cost of the equipment. In practice, the coefficients of credit influence are computed quite simply with the help of special multiplier tables.<sup>3</sup> For certain quite widespread conditions of foreign economic cooperation, the presented table shows multipliers determined on the condition of obtaining a profit in the amount of 15 percent a year from the funds freed as the result of installment payment [see table on next page].

In the purchase on credit of equipment costing 100,000 rubles with a 7-percent annual rate and a repayment period of 10 years, the sum of interest payments for the credit equals 38,500 rubles. If in the 10-year period under consideration the temporarily released funds are used in the national economy with an effectiveness of 15 percent per year, then the sum of the profit will amount to 82,500 rubles; net profit will equal 44,000 rubles and its size for the year of delivery of the equipment (the year of credit use) will amount to 26,600 rubles. This result is caught with the coefficient of credit influence.

Table

| Interest<br>annual rate | Period of repayment of credit |       |       |       |
|-------------------------|-------------------------------|-------|-------|-------|
|                         | 1                             | 5     | 8     | 10    |
| 2                       | 0.793                         | 0.714 | 0.620 | 0.568 |
| 5                       | 0.841                         | 0.780 | 0.707 | 0.668 |
| 7                       | 0.873                         | 0.824 | 0.766 | 0.734 |

Taking into account what has been discussed, outlays (Z) for the purchase of imported equipment can be determined with the formula

$$Z = V_i k_v k_{kr} , \quad (1)$$

where  $V_i$  is the currency value of the equipment.

If the coefficient of conversion of currency payments into domestic rubles equals, let us say, 2 rubles/exch. ruble and the coefficient of credit influence in our example is determined with the value of  $k_{kr} = 0.2 + 0.734 (1 - 0.2) = 0.787$ , where 0.2 is the share of initial payments in cash, then the total national economic expenditures for the importation of equipment will be  $3 = 10 \cdot 2 \cdot 0.787 = 15.7$  million rubles. As we see, with the existing procedure of price formation, the domestic price of turnover of imported equipment to a customer, set at 13.1 million rubles, would be 2.6 million rubles lower than the national economic outlays for acquisition of the equipment. Ignoring the purchase value of currency under conditions of credit extension could result in a rise of the domestic price.

In accordance with effective procedure, the economic effect of importation of equipment is determined by the difference between the price of turnover of this equipment to the customer and the outlays of the national economy on this purchase. Consequently loss-free imports can only take place at a price that is no lower than the outlays  $Ts_i \geq V_i k_v k_{kr}$ . Formula (1) thus determines the low limit of the domestic price of imported equipment.

With establishment of domestic prices and calculation of effectiveness, valuation of the latter is also needed from the point of view of the expected economic results of its use.<sup>4</sup>

For the determination of the price of imported equipment where the effectiveness of its use at a corresponding enterprise will be no lower than the value of normative profitability ( $r_n = 0.15$ ), it is possible to proceed from the inequality:

$$\frac{\Delta Ts + \Delta I - r_{am} Ts_i}{Ts - \Delta K} \geq r_n , \quad (2)$$

where  $\Delta Ts$  -- an increase in the annual volume of commodity production of an enterprise from operation with imported equipment;  
 $\Delta I$  -- reduction of annual current costs of production due to economy of raw materials, fuel, other materials and wages;  
 $Ts_i$  -- desired valuation of imported equipment;  
 $P_{am}, Ts_i$  -- amortization deductions from value of imported equipment;  
 $\Delta K$  -- reduction of average annual value of working capital of enterprise due to economy of raw materials, fuel, other materials and wages.

Valuation of equipment is determined from expression (2):

$$Ts_i \leq \frac{\Delta Ts + \Delta I + r_n \Delta K}{r_{am} + r_n} \quad (3)$$

The obtained valuation is the critical maximally permitted domestic price of imported equipment or, in other words, the top limit of the price which would be acceptable from the point of view of the customer and user of the equipment.

Let us continue our example. Let us assume that the installation of the imported equipment will increase annual production output of an enterprise by 3 million rubles and reduce current costs by 2 million rubles. At the same time, let us suppose that the value of the working capital will be reduced by 2 million rubles. With a norm of amortization deductions of 10 percent per year, the upper limit of the price determined according to formula (3) will amount to 21.2 million rubles.

If the domestic price for imported equipment is set equal to the price of the upper limit, then the additionally created profit ( $P$ ) from use of this equipment will equal:

$$P = \Delta Ts + \Delta I + r_n \Delta K - r_{am} Ts_i = 3.18 \text{ million rubles/year.}$$

Such an annual-profit sum is the equivalent of obtaining simultaneously  $3.18:0.15 = 21.2$  million rubles, which corresponds to the upper limit computed above.

V. Savost'yanov and A. Markovich also propose a cost valuation of imported equipment on the basis of profit obtained from its use.<sup>5</sup> At the same time, they emphasize that this method had also been used by K. Marx in determining the price for land where "every determined monetary income could be capitalized, that is, considered as interest for the assumed capital."<sup>6</sup> But V. Savost'yanov and A. Markovich do not use for valuation of equipment a single norm of profitability corresponding to the average norm of profit. Equipment for them acquires a cost valuation on the basis of equating profitability of imported equipment with profitability of comparable domestically made equipment, while under conditions of an absence of comparison, they propose the use of a sectorial norm.<sup>7</sup> These authors in their examples perform an evaluation of imported production lines for the manufacture of ammonia at a plant using a 23 percent norm of profitability, at another a 26 percent and at a third

14 percent. In our opinion, such differentiation of the norm unjustifiably lowers the valuation of more progressive equipment, while the valuation and effectiveness of imports of obsolete equipment, on the contrary, are boosted.

Having determined on the basis of formula (3) a valuation of imported equipment reflecting the economic result of its use, it becomes possible to obtain through comparison of it with previously national-economic outlays computed with formula (1) to obtain a relative indicator ( $Kh_i = Ts_i:Z$ ) and an absolute indicator ( $E = Ts_i - Z$ ) of the economic effectiveness of imports of equipment. An import is advantageous where the indicator of relative effectiveness is greater than one and the result is determined by a positive value.

In our example, the effectiveness of imports is  $21.2:15.7 = 1.35$  rubles per ruble of outlays and the economic effect is  $21.2 - 15.7 = 5.5$  million rubles.

Calculation of the effect in the form of a difference between the economic result from the use of imported equipment and expenditures of the national economy on its acquisition abroad is sufficient for the determination of the feasibility of importation of the equipment on the condition that comparable equipment cannot be produced at domestic enterprises. But if the manufacture of such equipment can be set up, then outlays on its purchase abroad should be additionally compared with another economic result of importation, namely with economy of outlays in connection with the refusal of its manufacture. If the costs of domestic manufacture turn out to be smaller than the cost of importation, then the variant of domestic production is preferable to the variant of importation, despite the fact that the first calculation showed a positive effect.

Let us assume that outlays for domestic manufacture of equipment comparable to imported equipment equal 14 million rubles. In such a case, it is cheaper than the import by  $15.7 - 14 = 1.7$  million rubles, and its manufacture is preferable since the effect of its use will be  $21.2 - 14 = 7.2$  million rubles.

If the need for the equipment can be satisfied through domestic production only partially, then the outlays for importation of this part of the equipment should be compared with outlays for its domestic production. The importation of additional equipment is based on a comparison of outlays for importation of the upper limit of the domestic price reflecting the effectiveness of use of the equipment by users. It seems possible to note that determination of the feasibility of importation of the equipment must be based on the size of total demand for the equipment under consideration and determination of the potential extent of its satisfaction by means of domestic production.

In determining the effectiveness of importation of equipment from some particular country instead of it being purchased from another country, outlays on importation from the first country should be compared with economy of currency payments from the second (with account being taken of difference in the purchase value of the currency and conditions of credit extension). Such a calculation is based in particular on the feasibility of setting up specialized production of the equipment in CEMA countries instead of its purchases with freely convertible currency. Here, as in the case considered above, it is necessary

to take into account economically based volume of total requirements for the equipment under consideration and the possible sizes of its domestic production and imports for freely convertible currency. At the same time, only that volume of imports is calculated with which purchases with the indicated currency would be really reduced.

Such in general features is the procedure of computing the real economic effectiveness of importation of equipment while taking into account total outlays for its purchase and effectiveness of use in operation, its interchangeability with domestic equipment and potential degree of satisfaction of the need with one's own production.

Let us note that in the case of setting of price for turnover of imported equipment equal to the value of the upper limit computed with formula (3), interest is ensured of the foreign trade association in purchasing abroad the more progressive and effective equipment. But if such a price is determined, then the effectiveness of the operation of the enterprise that has received the imported equipment will always be at the level of normative profitability in the case of acquisition of both highly efficient and low-efficiency equipment. At the same time, one or another level of the foreign trade price and the size of the outlays of the national-economy on purchase of the equipment will not be reflected on the valuation of the economic operation of the ordering enterprise. As a result, a situation arises in industry that is comparable to the one existing in the field of production of products for export where the products are purveyed by industrial enterprises to foreign trade organizations on the basis of domestic prices that are not influenced by the level of foreign trade export prices or by the economic effectiveness of exports.

For the creation of economic stimuli, for users of imported equipment and other products promoting effective importation and restricting the desire for economically unjustifiable purchases in cases where the effectiveness of their use does not compensate outlays made for imports or where the possibility exists of cheaper production of domestic products in place of imports, turnover price of imported equipment should be set somewhat lower than the upper limit determined with formula (3) but higher than outlays for imports computed according to formula (1). This can be realized if there is determined a certain fixed share ( $\alpha$ ) of economic effect (E) and with it reduce the price of the upper limit, establishing thereby the actually domestic price of the imported equipment ( $Ts_\phi$ ):

$$Ts_\phi = Ts_i - \alpha E = Ts_i(1 - \alpha) + \alpha V_i k_i k_{kr}. \quad (4)$$

It can be seen from the formula that the actual domestic price will consist of two components. The first depends on the valuation of the equipment determined by the effectiveness of its operation, the second--on the currency value of the equipment calculated in domestic rubles. Such a formula of price formation cannot provide in all cases the lower domestic price of the imported equipment compared to the level of operative wholesale prices for compared domestic equipment. But it helps eliminate cases of unjustified hiking of the cost of production for imported equipment inasmuch as the overall growth of foreign trade prices of all groups of goods in the case of stable USSR domestic prices will produce a reduction of coefficient  $k_v$  reflecting the purchasing capacity of

foreign exchange. An increase of the foreign trade price of imported equipment  $V_i$  will be compensated if the extent of this increase does not exceed the mean growth of foreign trade prices. In this way, growth of prices for equipment which occurs to a significant degree because of the inflation process in many world markets of the capitalist countries is compensated by a rise in the rate of exchange of the Soviet ruble with respect to foreign currency, which is expressed through reduction of coefficient  $k_v$ . The proposed procedure of internal price formation protects us from the inflationary growth of prices on the world market. We are therefore right in expecting that an unjustified increase of the estimated cost of facilities, higher cost of capital construction and growth of the cost of products made on imported equipment will not occur with such a procedure of price formation.

Let us elucidate this with an example. If the share of effect  $\alpha$  is set at 0.3, then for the previously examined conditions of importation of equipment the actual prices computed according to formula (4) will be

$$Ts_{\phi} = 21.2(1 - 0.3) + 0.3 \cdot 10 \cdot 2 \cdot 0.787 = 19.6 \text{ million rubles.}$$

Let us suppose that the average price level on the world market in a certain period of time will increase 1.25-fold. This will bring in its wake a reduction of the purchasing power of foreign exchange in regard to domestic USSR prices and the coefficient will be reduced:  $k_v = 2:1.25 = 1.6$ . If the foreign trade price for the purchased equipment increases, let us suppose by 1.2-fold, and amounts to 12 million exchange rubles instead of 10 million, then the actual domestic price will be equal to

$$Ts_{\phi} = 21.2(1 - 0.3) + 0.3 \cdot 12 \cdot 1.6 \cdot 0.787 = 18.4 \text{ million rubles.}$$

As we see, despite the growth of the foreign trade price of the imported equipment, its actual domestic price has actually been reduced.

Should the growth of world prices for equipment not be accompanied by a corresponding increase of prices for other goods of the USSR's foreign trade turnover and particularly by the growth of prices for goods sold on the foreign market for payment of imported equipment, then the compensating role of coefficient  $k_v$  will be insufficient. In this case, the country's expenditures for importation of equipment could be higher than the outlays for its manufacture by domestic enterprises. Naturally, it would not be advantageous to buy such equipment abroad, and it should be produced in the country. But if it turns out to be impossible to produce as much equipment as is needed, then imports of such equipment become a social necessity and payments for it should be considered as socially necessary outlays.

What about domestic prices when one part of the equipment is produced by domestic plants and is relatively cheap and the other--which is imported--is dear? Different answers are known to this question: first, to ignore the rise that is the consequence of high import prices and to provide imported equipment to ordering enterprises at relatively low effective wholesale prices in the country; second, to provide enterprises with equipment at different prices (domestic--at effective price and imported--at higher prices). A third alternative

is also possible: to compute mean weighted expenditures, taking into consideration both manufacture of domestic equipment and the purchase of comparable imported equipment and to raise domestic prices for the purpose of making them the same for all users and having them compensate all outlays of the national economy for its manufacture and importation.

The first version of the solution in our opinion is unacceptable since the national economy is artificially protected from the influence of real world prices and the level of prices for the acquired equipment is lowered compared to socially necessary expenditures, while the seemingness of its inexpensiveness is created and there is a growth of unsubstantiated demand of industry for imported equipment and the efficiency of production of products with this equipment is boosted artificially.

As for the second and third variants, both of them can be used for price setting. In the practice of Soviet price formation examples are to be found of setting of prices for machines and equipment on the basis both of individual outlays of specific enterprises and of prices of industry reflecting average sectorial outlays. For stimulation of development of domestic production in place of imports, it is preferable to have single prices.

An important question relating to improvement of domestic price formation for imported machinery and equipment is the assurance of price stability. It is of major importance under conditions of a systematic change of prices on the world market as the planning and compilation of estimates of capital construction are done long before start of construction and imported deliveries. For the plan of capital investment to be stable and for construction estimates not to change during the period of construction of facilities, it is necessary to set domestic planned prices for imported equipment. They may be based on predictive calculations and reflect expected changes on the world market. At the same time, the values of prices should be fixed for a plan period by individual years. However, if the actual currency cost of a purchase of imported equipment should differ from a previously supposed level, this will be reflected in a change of the indicator of effectiveness of the operation solely of foreign trade associations. Stability of domestic prices has its own minus: industry becomes indifferent to the business conditions of the foreign market and to its influence on the national economic effectiveness of imports. On the basis of national-economic interests, it would be advisable to correct the plan and, for example, because of the sharp rise in the price of imported equipment to adopt decisions on speeding up the fabrication of domestic equipment. Thus, for the creation of incentives for the interest, it would be preferable to have a system not of stable prices but rather of prices reflecting change in the foreign market's condition. Actual fulfillment of the plan of capital construction in the given case will differ from the approved one.

The successful solution of tasks set by the 26th CPSU Congress in the field of growth of imports of the latest equipment and technology, raw and other materials and consumer goods depends to a significant degree on the availability of foreign-exchange resources and therefore on the development and greater effectiveness of exports of Soviet goods. This is why the task of improving the system of economic incentives in the sphere of production of goods for export is so pressing.

For the purpose of spreading economic incentives to all parts participating in foreign economic cooperation, the economic gains obtained by the country from foreign trade should be distributed among industry, foreign-trade organizations and the state. This could be done with the aid of incentive domestic prices or with special additions to prices with which industry provides export goods as well as with the aid of deductions into incentive funds. At the present time, all the prerequisites exist for the approximate realization of the following scheme of cost accounting.

The economic result of an export is determined by the difference between currency receipts converted into domestic rubles and payments of the foreign trade association to the supplier of the exported goods in domestic prices. It is maintained that prices reflect socially necessary outlays of production output in the USSR and markups are also taken into account for compensation of economically justified outlays of suppliers of goods for the manufacture of products for export or tropical use. Depending on the size of the said result, it is possible to establish markups (in the amount of 20-30 percent of the size of the result) to domestic prices for export products as well as deductions into the incentive funds of foreign-trade organizations. As a result, domestic prices will be set between the lower price limit equal to expenditures on the production of a product and the upper price limit reflecting the profitability of the export. Industry under these conditions will be interested in lowering production outlays and raising the quality of products for the purpose of increasing foreign-exchange receipts from the export. The foreign-trade association in turn will have a stimulus for selling products at the highest possible export price and for currency of big purchasing value. If in addition domestic prices for all types of products will also reflect the effectiveness of use of products in the national economy (in the theory of price formation, all the necessary grounds exist for this), then the result for the foreign-trade association should be reduced in case of a high profit from the use of the products in the country, and consequently the export of products in short supply will be restricted.

At the present time, foreign-trade associations have essentially only the incentive for the development of goods turnover; they receive commission remuneration and deductions into bonus funds directly depending on the exchange value of exported goods and on the cost of imported goods measured in domestic prices. Moreover, the dependence of the remuneration on the value of the exchange and not on foreign exchange receipts (costs and receipts differ in size and time when trading on credit) results in the fact that foreign-trade associations do not have an incentive for exporting goods for cash instead of selling them on credit and for more advantageous conditions.

For the purpose of increasing the interest of foreign-trade associations not only in the development of goods turnover but also in boosting its economic effectiveness, it would be necessary to put the size of commission remuneration in dependence on foreign-exchange receipts from exports converted into domestic rubles and in the final analysis on the economic results obtained by the country from foreign trade. At the same time, the profit of a foreign trade association should determine the difference between commission remuneration and the

current expenditures of the association, while the share of profits going into the material incentive fund should be determined differentiatedly for associations, with account being taken of the specific character of individual associations because of existing high effectiveness or low effectiveness of the goods structure. Improvement of the latter as a consequence of the association's work in the direction of increasing the share of highly effective goods will lead to a growth of the economic gains achieved by the national economy and correspondingly to an increase of the bonus fund of the foreign trade association.

#### FOOTNOTES

1. "Materialy XXVI s"yezda KPSS" [Materials of the 26th CPSU Congress. Moscow, Politizdat, 1981, p 43.
2. It is stated in Methods of Determining Budgetary Effectiveness of USSR Foreign Trade, developed by the USSR Central Statistical Administration in 1980: in connection with the fact that wholesale prices for machines, equipment, instruments, spare parts and components exported from capitalist countries are set at the present time no lower than their import cost and do not reflect their technical-economic indicators and effectiveness of use in the national economy of the USSR, and indicators of effectiveness of importation of these goods from capitalist countries possess a conditional character.
3. See: S.N. Zakharov, "Raschety effektivnosti vneshneekonomicheskikh svyazey (voprosy metodologii i metodika raschetov)" [Calculations of Effectiveness of Foreign Economic Ties (Questions of Methodology and Methods of Calculations)]. Moscow, "Ekonomika", 1975, pp 159-169.
4. O. Rybakov in the work "Ekonomicheskaya effektivnost' sotrudnichestva SSSR s sotsialisticheskimi stranami (teoreticheskiye i metodologicheskiye problemy)" [Economic Effectiveness of the Cooperation of the USSR with Socialist Countries (Theoretical and Methodological Problems)] (Moscow, "Mysl'", 1975) emphasizes that methods of determining economic effectiveness reflecting the national-economic approach and taking into consideration all the stages of economic turnover "should also take into account the effect of use of products in the national economy (for export products as an alternative variant, for imported products as the effect of their direct use in the national economy) and the interchangeability of products as well as the degree of satisfaction of social requirements..." (p 56).
5. See: PLANOVOYE KHOZYAYSTVO, No 7, 1978, pp 103-117.
6. K. Marx and F. Engels, "Sochineniya" [Works], Vol 25, Part 2, p 172.
7. See: PLANOVOYE KHOZYAYSTVO, No 7, 1978, p 110.

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