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ECONOMIC AND INDUSTRIAL AFFAIRS  
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SOCIALIST-CAPITALIST ECONOMIC RELATIONS PROBLEMS ANALYZED

East Berlin-IPW-FORSCHUNGSHEFTE in German Vol 12 No 2, 1977 pp. 3-137

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There has been an increase recently in scientific discussions on the international economy's present and future development tendencies. They culminate in the observation that new phenomenon and trends have appeared or, in other words, that a new phase in the development of the international economy in our century began during the seventies. Scientists, who analyze these phenomena from the viewpoint of Marxism-Leninism essentially agree that the main features and development processes in international politics and international economy emerge in the following ways (1).

First of all, one can clearly recognize qualitative changes in the role and influence of socialism in the international economy and above all also in the world's political spheres. In the socialist countries, production and the material-cultural living standard of the workers are developing at a rapid pace. The process of gradual approach among the socialist countries is becoming increasingly pronounced as a lawful phenomenon. The results and effects of socialist economic integration assume special significance here for the analysis of international economic developments.

The possibilities for and the needs of using international division of labor also in dealing with other countries keep growing to the extent that a modern economic structure, in keeping with the scientific-technological revolution, is being developed according to plan in the member countries of the CEMA and to the extent that their economic integration makes further progress.

Second, the greater influence of socialism in turn produces stronger effects springing from the reciprocal relationship between economics and politics. Essential positive changes have taken place in the international situation in recent years. They are the result of the change in the balance of power

in favor of the forces of peace, democracy, national liberation, independence and socialism, in other words, the result of the effort to strengthen the struggle of the popular masses. That brought about the transition from a policy of tension and confrontation to the implementation of the course that is headed toward detente, normalization, and all around development of new relations and collaboration between states and peoples(2). A new situation arose on this basis primarily in Europe: important problems, which burdened the international situation here, could be solved or defused. That includes especially a fabric of treaty regulations, resulting from negotiations, primarily such historical agreements as the treaty between the USSR and the FRG, the Four-Power Agreement on West Berlin, and other treaties, conventions, declarations, or agreements concluded between socialist and capitalist states. The CSCE is of special significance to the process of detente (3).

According to the experiences from the time of the Cold War, as well as developments in recent years, one can certainly speak of a primacy of politics and the political climate for international economic cooperation, especially between states having different social systems. This includes the positive repercussions from lasting economic ties upon the stability of political conditions (4).

Third, it must be kept in mind that the internationalization of economic life is today being stepped up considerably, which in turn produces profound effects upon international economic processes. New developments in the production forces, which are connected with the unfolding of the scientific-technological revolution, are now emerging. For example, we can see new, reciprocally intertwined aspects of effective production under the conditions of the scientific-technological revolution which make clear their lawful connection with the accelerated development of the internationalization of economic life and the new tendencies in international division of labor also between socialist and capitalist countries.

Fourth, the solution of global and supraregional problems--such as a secure raw material and energy supply, environmental protection, eradication of the most dangerous and most widespread diseases, utilization of the resources of the world's oceans, space exploration, international transportation and traffic, as well as others--are of extraordinary importance to the development of economic relations.

Fifth, the developments, which exercise great influence on international politics and on the international economy, include the effects of the manifold capitalist crisis phenomenon. The most varied crisis-like processes in the capitalist economy act upon economic relations between states. That includes the uncertain growth outlook which, in long-range terms, appears rather reduced, the structural crisis processes within the capitalist industrial countries, and the weakness of relationships within the capitalist international economy. The social antagonisms are becoming worse and, consequently, there is also an increase in the number of social conflicts in that

part of the world. All that is eloquent expression of the labile fundamental structures of the capitalist economic system. Inflation with its effect on world market prices as well as currency and trade crises influence international economic processes.

Sixth, more and more developing countries--no matter how different their positions on one or the other issue may be individually--are increasingly turning against the existing system, in other words, the outdated mechanism of their relations with the principal countries of capitalism and the international concerns operating there. Those developing countries are making demands for a "new international economic order" which is supposed to correspond to the new structure of international economic relations and the altered weights of the socially different subjects that constitute the world economy. One important aspect here is the demand for the democratization of international economic relations which boils down to the implementation of equal rights and mutual advantage in international relations. That includes the effective restriction of neocolonial and restrictive business practices of international monopolies which, in a series of developing countries, make the planned build up of national economies difficult, control foreign trade, and draw enormous profits out of those countries.

The socialist states start with the idea that the new processes in world politics and in the world's economy must be expressed in the development and formation of an international economic system in which it will also be necessary to place relations between the socialist countries and the developing countries as well as between socialist and capitalist industrial states and between the developing countries and the imperialist states. This is why the socialist countries also emphasize that the development of economic cooperation in Europe must not be isolated from economic relations on a worldwide scale. They advocate the transformation of international economic relations on a just and democratic foundation, on the basis of equal rights for all states, the big ones and the little ones, the socialist ones and the capitalist ones, the developed ones and the developing ones. In this context, they support the basic orientation of the program of international collaboration which has been drawn up by the developing countries or the nonaligned states.

Against the background of these new processes in the world's economy and in world politics, economic relations between socialist and capitalist states, as a part of international economic ties, assume a new and greater significance. They increased considerably in terms of volume and their forms and methods became more manifold. In connection with the implementation of the principles of peaceful coexistence between states having different social systems, they become an important factor on the further road toward detente, for the consolidation of security and the development of collaboration, especially in Europe, but also in other parts of the world.

These economic relations have moved much more into the focus of public observation than in the past; in the socialist countries--including the GDR after

the termination of imperialism's diplomatic blockade--they increasingly became an object of Marxist-Leninist research.

This study is one of the first attempts undertaken in the GDR--using research results also from other socialist countries, especially the Soviet Union--comprehensively to illustrate a number of selected general problems of economic relations between socialist and capitalist countries on a larger scale. Accordingly, it is one objective of our study here to analyze the foundations and motives of the socialist and capitalist states when it comes to collaboration in the economic field in order to draw conclusions from that with regard to the foreign trade policy of the socialist countries. Here, these economic relations are derived from such objective foundations of international economic and international political developments as the processes of the internationalization of the production forces and of economic life under the conditions of the scientific-technological revolution and the complicated reciprocal relationship between economics and politics in the worldwide dispute between socialism and capitalism which found their expression in the detente process that was started, in the struggle for the implementation of the policy of peaceful coexistence.

Present-day problems in economic relations between the socialist and capitalist countries assume a special position in this research effort; these problems were caused for the most part by the latter [capitalist] countries and are being continued by the present-day economic policy of the imperialist states for the purpose of using them as a weapon in the class conflict between socially opposing social systems. That includes above all the still existing system of discrimination against socialist countries, which numerous capitalist countries are still using, as well as the attempts of those capitalist countries to use the structure of commodity flow, the disequilibrium of balance sheets, etc., against the states of the socialist community; last but not least, that includes the endeavor of the imperialist side to exert political pressure on the socialist community by means of economic relations.

As we are saying here, the CEMA countries--fully aware of the fact that economic relations between East and West constitute an important material foundation for the policy of peaceful coexistence--are constantly trying to expand economic relations with the capitalist countries in order to implement the final act of the CSCE. This study presents an overview of sectors, forms, and methods.

The prospects of these relations point toward expanded and considerably more intensive economic collaboration, specifically, in connection with the continuation of the political and military detente process.

The treatment of these fundamental issues at the same time makes it clear that it is impossible, in a limited space, to take up all problems of economic collaboration, not to mention dealing with them in detail. As far as GDR science is concerned, we furthermore realize that economic relations between socialism and capitalism must represent a growing field of research

work especially in the future. In our study here we were able to take up only a few general problems which play an important role in economic relations between socialist and capitalist countries. But it is in the interest of the clarification of further problems and scientific headstart, among other things, to analyze the following questions further and in depth since they will serve for the realization of the determinations of the CSCE:

The integration of the economic relations between socialist and capitalist countries into international economic processes, for example, their determination in connection with international economic relations that are to be newly developed;

The further exploration of the differing interests and motivations of the socialist and the capitalist side in order precisely to spell out the developing points of interest intersection and to arrive at an exact analysis of increasingly refined imperialist concepts. An investigation would here have to be concentrated also on the role of the big monopoly-capitalist, mostly international concerns;

The developing forms, methods, and concrete problems of economic relations, including their scientific-technological, financial, and juridical aspects, as well as the developing mechanisms and new forms of institutionalization, in order to recognize possibilities which can be better exploited, as well as system-determined limitations and concrete practical perspectives of collaboration;

The analysis of production cooperation in one of the most promising fields of relations between socialist and capitalist countries, that is, the development of collaboration in or with third countries.

The IPW [international politics and economics institute] is currently exploring some of those problems, partly in cooperation with other scientific institutions in the GDR. The overall problem complex however is a task not only for research on imperialism but also for other scientific specialized efforts and institutions in the GDR which must be accomplished in a goal-oriented and coordinated manner with optimum benefits for GDR society.

## I. Foundations of Economic Relations Between Socialist and Capitalist States

### Objective Foundations for the Development of Economic Relations Between Different Social Systems in the Present

Economic relations between the socialist and capitalist states do not constitute an accidental phenomenon which is derived perhaps primarily from pragmatic, business-cycle considerations of one or the other side. The CEMA countries consider the strengthening and expansion of economic and scientific-technological relations with the capitalist states to be a long-term problem which is based neither on short-term interests, nor on a tactically determined orientation. In their foreign trade policy toward the capitalist coun-

tries, they realize that these relations take place on objective economic and social foundations. That includes a number of economic and social factors, such as the internationalization of production and of economic life, particularly under the conditions of the scientific-technological revolution, the continued existence of a world economy, which today is characterized by socially different subjects (socialist countries, capitalist countries, and those countries which have liberated themselves politically from the colonial regime), and the international class conflict between socialism and capitalism under the conditions of the ever stronger implementation of peaceful coexistence. These factors determine the levels and forms of the international class conflict. Under these conditions, economic relationships take place between socialism and capitalism in a complicated reciprocal relationship between economics and politics (1).

This reciprocal relationship in mutual economic relations between East and West is determined by the fundamental class objectives which the participating countries and their governments represent. This involves the big bourgeoisie, which rules in the capitalist countries, and for the working class, in the socialist countries, which exercises governmental power, as well as the classes and strata allied with it. Under these conditions, economic relations do not develop according to social and production conditions which are essentially equal, correspondingly, under identical class interests, as is the case in relations within the framework of a social system, in other words, socialism or capitalism.

The character of these economic relations is marked by the fact that opposing classes seek not only their own quantitative advantage from the economic cooperation of the states but make the desired advantage effective in support of their own social system. Under these conditions, we are dealing with a higher degree of economic and political interests, considering the fact that politics at any rate is the concentrated expression of economics. Mutual economic relations accordingly are determined by first-ranking political questions. So long as political relations were influenced by the policy of the Cold War, economic relations were disturbed or were extraordinarily poorly developed; under the influence of the detente process, they made considerable progress, although there are reactionary forces in western Europe who want to counter that process.

In the interest of the existence of mankind and the preservation of peace, we must start with the idea that there is no reasonable alternative to the economic developments which are taking place on objective economic foundations and under motivations specifically inherent in the system; nor is there a reasonable alternative to peaceful coexistence among states with different social systems. Through the advance of the detente process, in which they represent the driving force, the socialist states create the political framework for advancing economic relations. On the other hand, they view economic relations as the main road to the materialization of detente.

## Internationalization of Economic Life and International Economy

The internationalization processes in the present-day international economy are the result of centuries of development of the production forces, increasingly profound division of labor on a national and international scale, as well as the inclusion of ever-newer national production branches into the overall international economic system. The process of socialization [nationalization] of labor and production, viewed historically, took place above all within the framework of the capitalist production method, in other words, under the specific production conditions and class conflicts or contradictions of that social system. Capitalist production conditions produced the world market; and they had to produce it because capital spreads beyond national boundaries for the sake of its utilization and upgrading and because the production forces become universal via the world market (2).

The origin of the world market, that is to say, the establishment of normal trade relations between the countries and continents, diminished national and regional independence.

The processes described by the classical offers of Marxism-Leninism, clearly pointed up the course of the socialization of labor and production in the capitalist production method all the way into the sphere of internationalization via the world market as an adequate part of the socialization process. Marx, for example, characterized production cooperation, division of labor, etc., under capitalism as developments of social labor and, simultaneously, as developments of the capital relationship which are to be presented also as being independent of the capital relationship (3).

Under imperialism, capitalist internationalization takes place in a quantitatively larger volume and, at the same time, with a new quality. Internationalization increasingly also takes a hold of production. The capitalist world economy develops. To be sure, the world economy is contradictory also under these conditions, but it functions in class-oriented forms which are shaped along the lines of capitalism and its exploiter classes. Under these circumstances, the national and regional independence of the individual countries and partners are diminished further. But under the conditions of imperialism there is no genuine approach among peoples and states because of capital relations. The approach process is characterized by conditions of dependence and subordination.

The internationalization of economic life within the framework of imperialism serves above all the monopolies in achieving maximum profits, in preserving or expanding economic and political spheres of power and influence. It leads to an aggravation of the contrasts and contradictions under imperialism; exploitation and the class struggle are also assuming an increasingly international character. The uneven development of the capitalist states under imperialism grows in depth and as a result the internationalization of capitalist economic relations is uneven and takes place in an extremely deformed fashion. At the same time an attempt is being made to use it to counter the advance of the revolutionary world process.

To be sure, Lenin pointed out the fact that a tendency toward economic approach among nations exists already under capitalism and this is underscored by the growing intensity of international economic relations; he also pointed out that this tendency characterizes "mature capitalism approaching its conversion into the socialist society" (4). The in-depth development of the internationalization of production shows that, in the lap of monopoly capitalism, not only internal but also international material prerequisites have matured for the highest stage of the socialization of labor--the socialist production method--and push for further development (5).

Along with the origin and growth of the international socialist system, there takes place a basically new process of the socialization of production and labor on an international scale, particularly in the community of socialist states. Here we find applicable Lenin's observation to the effect that "mankind's entire economic, political, and intellectual life is becoming increasingly internationalized already under capitalism. Socialism internationalizes it completely" (6). Lenin furthermore stressed that the tendency toward the creation of a world economy as a whole, which appears under the conditions of capitalism, "must absolutely be further developed under socialism and must be brought toward completion" (7).

The qualitatively new processes of international socialization, taking place under socialist conditions, developed on the basis of socialist ownership or production structures and socialist power conditions and the action of socialism's economic laws taking place on this foundation. The socialist internationalization of economic life, for example, within the framework of the socialist economic integration of the countries of the CEMA, create favorable material conditions for the further development of the national economies, the all around strengthening of the community of socialist states, and the ever better satisfaction of the material and cultural, personal and social needs of the citizens of the socialist countries. Agreement among the international interests of socialism and the interests of each individual socialist state is an essential prerequisite for the socialist internationalization of economic life.

These developments under capitalism and socialism make it clear that the internationalization of economic life is always fashioned by the particular fundamental production conditions under which the development of the production forces takes place. They in the end determine the essence, forms, and methods of internationalization. The internationalization of economic life is subject to the determining influence of the production methods.

One of the most important peculiarities of present-day economic development and thus also of the development of the internationalization of economic life, including relations between socialist and imperialist states, consists in the fact that they take place under the conditions of the scientific-technological revolution. These processes have an extraordinarily profound effect on all aspects of economic life. They lead to a growth of the production

forces throughout the world, specifically, in such a volume and at such a tempo that material production spreads beyond the boundaries of the individual national states even more clearly than in the past. Ever greater participation in international division of labor becomes an objective necessity for every country, regardless of whether it is big or little, whether it is industrially developed or whether it is in the process of development, whether it is socialist or capitalist.

The processes of the scientific-technological revolution reveal a series of phenomenon of further in-depth development of international division of labor (8). It becomes clear that it has today assumed an extent which goes not only beyond the boundaries of one country but also beyond the territorial boundaries of economic groupings of states and of social systems. Such requirements of scientific-technological progress, especially of the scientific-technological revolution, include, for example, the following objective developments, considering the striving for maximum effectiveness, under socialism, for the purpose of innovating the material and cultural living standard of the people, and under capitalism, for the purpose of making maximum profits.

The tendency toward concentration and division of labor in research and development, in production and sales of the individual countries is being implemented together with the steady expansion of product assortments in the world's economy. The desired effects of automation and mechanization materialize only if we produce in large numbers, that is to say, mass production or large series production, which can be sold not only on the national market or on the markets of groups of countries. The attendant growing production output, per product, and the relatively limited absorption capability of a national market or the market of a grouping of states are expressed also in the increased mutual exchange between the countries of the various social systems. That applies increasingly to the developing division-of-labor processes in the field of working equipment production whose share of world trade--also between East and West--keeps growing, and of course in the field of investments.

This increasingly no longer involves just the sale of commodities on "unknown markets." Production costs and the complicated nature of present-day production equipment, especially in industry branches requiring intensive research, demand--also in economic transactions between socialist and capitalist states--not only that they be ordered in advance but, as a rule, also agreements on financing, on the producer's cooperation in putting up the plants and facilities, as well as in connection with maintenance and repair. Very frequently, such agreements also include the relinquishment of production methods through the award of licenses. The complicated character of many international operations, resulting directly from the scientific-technological revolution, strengthens the tendency toward the internationalization of production itself. This has already assumed a considerable volume in the form of production cooperation.

The constantly growing, one time expenditures for research and development, for the creation of the material prerequisites for production and sales, and the rapidly shrinking deadlines of moral wear and tear of products lead to the concentration of national economies on decisive critical main points with the recognizable result of stepped-up economic cooperation aimed at the better utilization of financial and material possibilities.

New, global problems sprang up during the postwar years; they are an expression of the rapid growth of the production forces and the high degree of nationalization of production and they can be mastered only within the framework of the further internationalization of economic life. One outstanding feature of the international economy after World War II was the rapid growth of the production potential all over the world and of the output volume as such. This, last but not least, led to a situation where the available raw material resources in some parts of the world, especially in the capitalist part, were decimated. Developments are now becoming clear, developments which are marked by the differing social conditions under capitalism and socialism; but they cannot be essentially influenced or perhaps even solved by individual states or on the scale of the states of a social system alone.

Collaboration between states with different social systems thus is also based on the necessity and possibility of making more international use of various natural resources, such as energy sources (particularly petroleum and natural gas) and other raw materials, communications media and communications units, such as power lines and grid systems, but also means of transportation and traffic and together building water, air, and land transportation routes. Finally, this involves environmental protection, the utilization of space and the world's oceans from the viewpoint of stepped-up international division-of-labor processes, but also the eradication of the most dangerous and most widespread diseases (9).

The internationalization of economic life today takes place just as much in the predominantly production sector as in parts of the service sphere or in the field of intellectual life. This includes an increasing international exchange of information, the conduct of international conferences, the creation of international institutions, but, last but not least, also corresponding relations in the sphere of consumption, tourism, exchange in cultural and scientific fields, etc.

The internationalization of economic life, with its greatly increased international division of labor, becomes quite clear if we compare statistics taken from a work by M. Maksimova (10): while, according to the UN, during almost 2 postwar decades, the value of industrial and agricultural production (between 1956 and 1971) rose about 2.5 times (raw materials industry 2.4 times, processing industry 2.9 times), international commodity exports increased 3.6 times. During the last two decades, international trade increased 1.4 times faster than international output.

These objective processes include both the capitalist and the socialist countries and economic relations between them. Lenin already pointed out that objective compulsions arise from international economic relations with regard to the establishment and development of economic relations between socialist and capitalist countries; as we know, he referred to them as a "fundamental economic necessity" which will "blaze its own trail" if there is sufficient interest (11). L. I. Brezhnev expressed this idea at the 25th congress of the CPSU: "One special feature of our time is the increasing utilization of international division of labor for each country's growth, regardless of its wealth and particular economic level" (12).

This also already answers the question as to whether a world economy continues to exist as a whole. Today, likewise, we can observe an objective connection among the national economies, among processes taking place internationally. To be sure, politics can temporarily shake up international economic relations, it can brake their development and partly alter their direction but, in the final analysis, objective economic necessity prevails against all political obstacles. It is precisely the scientific-technological revolution which proved that there was no hope whatsoever in any imperialist attempts artificially to strangle economic relations between various states or groups of states. Under present conditions, each country's progress is inseparably tied to its participation in the broad exchange of material and intellectual goods.

The existence of two world systems does not abolish the world economy, as some economists assert from time to time. If we look at the totality of national economies, which belong to different social-economic systems and which have certain relations with each other based on international division of labor, then it becomes clear that the international economy, as an objective category and as an objective reality, could not disappear and did not disappear.

Although the world economy's development is shaped by such general, comprehensive features as the scientific-technological revolution and the attendant global problems of mankind, it is nevertheless, as far as its social character is concerned, by no means homogeneous, at least so long as there are class differences in the world. This is why at the same time it is a dialectical unit of contrasts between which there takes place a dispute, carried out in different forms and with different intensity, behind which stand classes which fight or rule in the various parts of the world. That applies particularly to relations between socialist and capitalist states.

Looking at it from this viewpoint, production conditions and economic laws, which are at work in socially different states, are included in economic relations between East and West (more about this in detail in Chapter II, Section 1).

Economic relations, like other forms of cooperation between socialist and capitalist states, constitute a field of the international class struggle. Economic relations are objectively a particular, specific form of the proletarian class struggle against the bourgeoisie on the international level, in other words, a form of the struggle of two classes which face each other in an irreconcilably hostile manner--but a struggle with peaceful means, such as economic competition and trade, not with armed forces.

In this sense already Lenin pointed to the task of the soviet state in the field of foreign trade when he said: "We must manage to base ourselves on the peculiarities of the capitalist world, the avarice of the capitalists for raw materials and we must derive advantages from that in order to consolidate our economic situation" and "any such effort is a continuation of the struggle between capitalism and socialism. That struggle has been changed in terms of its forms but it has remained a struggle" (13).

In 1920 after imperialist intervention against soviet power had been smashed, Lenin, in addressing the conference of the aktif of the Moscow Party Organization, characterized this aspect of intersystem economic relations as follows: "During the war, they (the capitalists--author's note) failed already; now they must fight in the economic field. But that they are forced to fight with us in the economic field, that constitutes tremendous progress" (14). Elsewhere, he called attention to the direct connection between economic ties with capitalist countries and policy as a means and component of peaceful coexistence which is oriented toward vast perspectives: "The presence of concessions is an economic and political argument against war. The capitalists will look for pretexts for war. If they accept our proposal and our concessions, then they will find that difficult" (15).

This means that economic relations, as relations of the struggle, at the same time constitute an integral component of the peaceful existence of states side by side and one of the material foundations for peaceful coexistence. Peaceful, side-by-side existence means--and this is timelier than ever--not only a renunciation of the use or threat of military force in international relations, but also the development of manifold forms and methods of cooperation in the solution of problems that are of common interest.

The "Declaration of Peace, Security, and Cooperation in Europe" by the conference of the political advisory committee of the Warsaw Pact states of January 1972 observes the following under the chapter heading "Mutually advantageous relations between states": "The manifold, mutually advantageous relations between European states in the economic, scientific-technological, and cultural fields as well as in the fields of tourism and environmental protection, must be broadly unfolded under the conditions of peace. The development of these relations will strengthen the stability of the security and cooperation system now taking shape in Europe by creating the material

foundations for the striving of the European peoples for peace, tranquility, and prosperity (16).

Considering the primacy of policy, there is thus a reciprocal relationship between peaceful coexistence and economic collaboration. On the one hand, a security system creates better prerequisites for the expansion of economic and scientific-technological collaboration between countries. On the other hand, a considerably intensified expansion of economic relations, especially between East and West, can only help in fleshing out such a system of collective security and turning it into reality faster. The opportunities for peace, security, and collaboration thus are directly tied to the fact that the states, by promoting economic collaboration, arrive at a genuine, objective partnership on the grounds of the promotion of mutual economic interests. Economic and scientific-technological cooperation among states with different social systems thus is an integral characteristic, an objective component of peaceful coexistence.

In the final act all CSCE countries underscored the connection between security and collaboration. They express their determination to make every effort so that detente will become not only a continuing but also an increasingly more viable, all around, and comprehensive process.

In keeping with the provisions of the Helsinki final act, everyone of the participating states pledged to shape its relations--and that applies also to economic collaboration--with the other participating states as well as all other states on the foundation of the following principles: Sovereign equality, respect for the sovereignty of inherent rights; refraining from threatening or using force; inviolability of boundaries; territorial integrity of states; peaceful settlement of disputes; non-interference in internal affairs; respect for human rights and basic liberties; equal rights and self-determination for peoples; collaboration between states; discharge of international-law obligations in good faith.

These principles outline the framework for economic relations between socialist and capitalist states whose directions and forms were spelled out in the final act between the governments. This connection is underscored in the final document of the CSCE also especially by the observation that:

The efforts of the participating states to develop collaboration in the fields of trade, industry, science and technology, environment, and other fields of the economy will contribute to the consolidation of peace and security in Europe and throughout the world;

Collaboration in these sectors will promote economic and social progress and the improvement of living conditions;

Collaboration--considering differences in economic and social systems and considering differing economic development levels--can be pushed on the basis of equality and mutual satisfaction of partners and additional important conditions (17).

In his speech at the Helsinki Summit Conference, Erich Honecker made the following comments on this: "We see the basic prerequisite for the development of equal, mutually advantageous collaboration in the unrestricted implementation of these principles of security. Security is the stable foundation for collaboration. The GDR is prepared peacefully to work together with all states in the economic and scientific-technological areas, in the fields of education, culture, and sports" (18).

Accordingly it must also be underscored that the Helsinki final act must be grasped and implemented in terms of its unity, as a whole. In spite of the complicated nature of the international situation, the continuation of the political detente process is to be expected as a main tendency in relations between socialist and capitalist states. Future steps of military detente likewise can only favorably influence economic relations. As a result of this, the continuing competition among systems will emerge even more clearly in the fields of the economy and economic relations.

Reciprocal relationships between the policy of detente and economic collaboration were underscored at the 25th congress of the CPSU as well as the Ninth Congress of the SED. In his 1976 Berlin speech at the conference of European communist and worker parties, L.I. Brezhnev had this to say on this topic: "It is also tremendously important to create the 'material fabric' of peaceful collaboration in Europe, a 'fabric' which will strengthen the bonds between the European peoples and states and which, for many long years in advance, give them an interest in the preservation of peace. I am talking here about various forms of mutually advantageous collaboration: trade, production cooperation, scientific-technological relations. This task is entirely realistic. In recent years, the states of Eastern and Western Europe have accumulated considerable experience in such collaboration in an atmosphere of growing detente" (19).

#### Reasons of Socialist and Capitalist States for Developing Mutual Economic Relations

On the basis of developing laws and tendencies in the international economy, there are a number of reasons, both in the socialist and in the capitalist states, for developing economic collaboration with the particular other partner; their difference is marked by the social foundations and the general and special objectives of each system. The particular motives therefore must be construed only in the light of the fundamental production condition and the laws which are at work in each social system.

#### Interests of Socialist States in Developing Economic Relations With Capitalist Industrial Countries

The reasons of the socialist states for maintaining developed economic relations with capitalist states are both of a political and an economic nature. These considerations were underscored and summarized by Hermann Axen in his statements on the results of the CSCE at the 15th conference of the SED

Central Committee: "As we know, there are two reasons for this: first of all, in order to exploit the advantages of international division of labor for the sake of building socialism and communism; second, the expansion of economic relations does create a certain material foundation for the policy of peaceful coexistence between the socialist and capitalist states" (20).

Starting with the objective conditions underlying economic relations between states having different social systems, it is in keeping with the interest situation of the socialist countries to utilize the advantages, offered by further internationalization of economic life, to a greater extent for the development and perfection of their own economies. They want to make the advantages of international division of labor more useful for themselves to a greater extent than they could do that during the imperialist embargo policy and the economic "bridge-building attempts" by imperialist countries in the past. This means the increased involvement of socialist countries in objective international economic processes. But economic collaboration is not a one way street to the benefit of socialism; it is advantageous for all participants. Erich Honecker had this to say: "The development of good economic relations for mutual benefit brings great advantages for the peoples and creates a reliable material foundation for peace" (21).

The imperialists, especially in the past but partly also today, distorted economic relations between socialist and capitalist states as aid being given by the capitalist states to the economically backward economy of socialism which allegedly was down and out. It is being asserted that difficulties in the socialist national economies can be overcome only with "help from the West." From that, the imperialist states derived the approach to their blackmail policy in order to be able to dictate conditions in mutual economic relations to socialism rather one sidedly or perhaps even stopping economic relations with the socialist countries because they would be too disadvantageous for imperialism (22). This kind of slander is designed to spread doubt to the effect that the community of socialist states in general has all necessary prerequisites for the construction of socialism and the economic and social development problems connected with that.

In point of fact, the socialist states however, under the conditions of only slightly developed economic relations with capitalism, after 1945, for many decades, by virtue of a faster growth rate in production, in the national income, and in labor productivity, through a steady, crisis-free economic development and practice, proved their superiority over the other, outdated economic and social system which itself is presently exposed to profound crisis phenomenon. At the same time the socialist states declared openly that their entire policy, including their policy for the promotion of economic relations with capitalist states, is aimed at the all around strengthening of socialism. Such international economic relations increasingly are becoming a firm component of the short-term, medium-term, and long-term economic plans of the socialist countries. In the new international situation during the seventies, which has been altered in favor of socialism, there is no further reason to renounce the activation of economic relations with capitalism.

The decisive economic relations of the socialist states at the same time are still developing within the framework of socialist economic integration under the CEMA. They form the essential foundation for the economic and social development and for the blossoming of the socialist countries; but they are just as much the basis for more comprehensive and intensified economic relations with the capitalist states. By means of stepped-up economic exchange with other, capitalist countries, the CEMA countries however can make an additional effective contribution to the accomplishment of their primary mission, in other words, the further elevation of the material and cultural living standards of their peoples, as well as the realization of their own socialist economic integration.

The development of economic relations with capitalist countries enables the socialist states better to utilize their economic resources, including natural resources, for their own interests. The development of socialist society and the establishment of the foundations of communism are speeded up by the utilization of the economic growth factors resulting from international division of labor. This means that this policy fully corresponds to the interests of the community of socialist countries. Tasks in a series of industry branches in one or the other socialist country can be tackled faster and with less of an effort than through domestic development. Additional financial resources from capitalist foreign countries can be used to develop the national economies of the socialist countries. It is possible to create more suitable prerequisites for the future production of new products which can be turned out with less of an effort and in relatively shorter periods of time.

In the pursuit of these efforts, the goal at the same time is, in the interest of greater economic efficiency, to supplement, improve, or develop the export and import structures of the socialist countries themselves. For most of the socialist countries the important thing is to push sales of finished products in capitalist countries and to get into new markets or to increase their share of western markets in important fields, that is to say, to increase the export capacity of the socialist countries. These countries are particularly interested in promoting stable and long-term economic relations corresponding to the socialist planned economy.

In particular, the socialist countries are increasingly procuring machines, equipment, patents, etc., for the modern branches of industry where the development of the production forces necessitates increasing specialization and thus also international division of labor. That applies particularly to chemistry, including petrochemistry, some sectors of the machine-building industry, electrotechnology and electronics, mining, metallurgy, and equipment for sectors of the consumer goods industry. Socialist countries however also have increased their imports of industrial consumer goods which however, in quantitative terms, are not yet very voluminous, along with raw materials and essential foods.

The interest of the CEMA countries in economic collaboration with capitalist states thus is by no means due to the business cycle as such, as has been

asserted quite frequently on the bourgeois side. The long-term interests of the socialist countries are based on long-term factors such as the objectives of the long-range plans, determinations on the intensification of production, increase in the useful effect of production and especially investments, as well as the steady improvement in the satisfaction of the citizens' material needs.

The socialist states are trying to obtain more favorable positions in the dispute, in the economic competition with capitalism by making more use of division-of-labor processes in the framework of international economic relations. They start with the idea that the economy is the decisive sector of human activity because society's material and intellectual life in the end depends on its development level and because the economy, as the sphere of human activity whose results serve as basis for the solution of all other tasks of social development, is the main battlefield in the peaceful competition between socialism and capitalism.

The decisive influence of the international, socialist system on international economic and international political developments is determined above all by its growing economic might. After the victory of the Great Socialist October Revolution, Lenin already at the 10th All-Russian Conference of the KPB (B) [Russian Communist Party, Bolshevik], in 1921, emphasized this: "We now exert our primary effect on the international revolution through our economic policy. The struggle must be transferred to this field on a worldwide scale. If we accomplish this task, then we have definitely and finally won on an international scale. This is why questions of economic construction are of quite extraordinary significance for us" (23).

The great significance of Lenin's orientation here can be recognized today by the fact that the rapid development of the national economy of the countries of the socialist system, whose tempo surpasses the economic growth rate of the capitalist countries, and the attainment of leading positions in a series of sectors of scientific-technological progress by socialism decisively promote the preponderance of the forces of peace, democracy, and socialism over imperialism.

The most important characteristics of this process include the faster development of production and productivity as well as of the material-technical living standard of the workers in the socialist countries and the attendant restriction of capitalism's economic position. One of the main tendencies in the development of the world economy here is the steadily growing economic weight of socialism, this, moreover, during a period of time when the capitalist states--looking at it in long-range terms from about 1950 until 1972--revealed relatively favorable growth rates compared to earlier times (see table).

UN agencies are justified in referring to the CEMA area as the world's most dynamic economic region with the highest and steadiest growth rates

in the most important economic indexes. That has become visible particularly in recent times. While the industrial output of the CEMA countries between 1971 and 1975 grew by a total of 45 percent, the figure in the capitalist countries was only 9 percent. With 9 percent of the world's population and 18.5 percent of the world's territory, the CEMA countries at the end of 1975 accounted for a share of about 34 percent of world industrial output.

#### Industrial Output Growth

	Welt ins- gesamt 1)	davon: sozialist. Länder 2)	3) übrige Welt insgesamt 4)	darunter: entwickelte kap. Länder 5)	Entwicklungs- länder 5)
1950 = 100					
1960	206	354	167	160	233
1970	388	723	298	284	459
1974	494	998	359	339	592
6) Durchschnittliche jährliche Zuwachsrates, v. H. 1951 bis 1974	6,9	10,1	5,5	5,2	7,7

7) Quelle: Die UdSSR in Zahlen des Jahres 1973, Kleiner Statistischer Sammelband, Moskau 1975, 53 (russ.)

Legend: 1--World, total; 2--including socialist countries; 3--rest of world, total; 4--including developed capitalist countries; 5--developing countries; 6--average annual growth rate, %; 7--to. Source: "The USSR--1973 statistics," "Small Statistical Collection," Moscow, 1975, p 53, Russian

The CEMA countries will continue to increase their international economic and international political weight in the course of the further speed up of socialist economic integration. They realize that the economic competition between the social systems is increasingly shifting toward qualitative questions and that the socialist countries moreover must still solve numerous difficult problems (24).

Success has not become easier for the socialist countries in economic competition last but not least because of the scientific-technological revolution which, for a number of years, gave the capitalist countries an opportunity to step up their economic processes, to carry out structural changes, etc. Such problems in the international dispute as the increase in labor productivity, greater efficiency of social production, better utilization of socialist economic integration, development of science and technology and utilization of its results, the elevation of the population's living standard, and many others have gained significance. In other words, in the future we will be much more concerned not only with the improvement of quantitative indexes--although qualitative effects are to be derived from them--but also directly qualitative tasks, such as they were adopted by the communist and worker parties of the socialist countries for the seventies and eighties along

with the primary mission. In the further course of development, the socialist countries will win new successes, such as those which were adopted as assignments in recent times at the party congresses of the communist and worker parties of the countries of the socialist community of states.

#### Economic Relations and Worldwide Revolutionary Process

Present-day developments are taking place within a reciprocal relationship between economic competition and economic relations between socialism and capitalism. Competition with capitalism is conducted under the conditions of simultaneously broadening economic collaboration. This creates new impetus for the successful continuation of the worldwide revolutionary process.

Successes of the community of socialist states in the economic area serve for the further development of their own economic potential, as a result of which the superiority of socialism over imperialism becomes increasingly visible in an all around and comprehensive fashion also in this field. The countries of the socialist community can better perform their functions as the revolutionary main force of our epoch.

Based on the growing economic capacity of socialism, we find more and more and increasingly better possibilities for accomplishing the tasks we face in the construction of the community society in the Soviet Union, in the further shaping of the developed socialist community of states in Europe as well as in the in-depth development of socialist economic integration. This is at the same time the decisive condition for the further all around development of socialist society because, after all, its political, military, and cultural strength is in the final analysis rooted in its economic capacity. The countries of the community of socialist states have assigned themselves the main task of further elevating the material and cultural living standard of the peoples on the basis of a rapid growth rate of socialist production and at the same time to step up efficiency, to make comprehensive use of scientific-technological progress, and rapidly to improve labor productivity.

As the national economies of the socialist countries grow stronger, there will be more favorable prerequisites for the material support of the national liberation movements. The economic strength of the Soviet Union and the other socialist countries enables a growing number of young national states to build up a national economy which is increasingly independent of imperialism and to push the influence of imperialist monopolies and states over the economies of their countries back. The internationalist socialist system gains more effective possibilities of influencing the reorganization of international economic relations.

Finally, socialism's growing economic might exerts increasing influence on the struggle of those forces in the imperialist states which are oriented

toward the implementation of detente. It is above all the working classes and strata under capitalism, especially the working class, who receive strong impetus for their struggle for a new social order from the further growth in socialism's economic strength as well as the effects resulting from that with regard to the development of socialist society and its people.

Socialism's growing economic strength furthermore constitutes a decisive condition for meeting new demands which are connected with the mastery of the scientific-technological revolution in the interest of the peoples and for consolidating certain material prerequisites via the expansion of economic and scientific-technological relations between socialist and capitalist states, conditions which can thus be made indestructible and on which the political detente process of our time rests extensively. These are prerequisites which are inescapable if the principles of peaceful coexistence are to be applied in practice throughout, if a secure peace is to be guaranteed and if mankind's existential conditions are thus safeguarded against an annihilating nuclear war.

The international revolutionary process, the preponderance of the forces of peace, democracy, and socialism, the implementation of the policy of peaceful coexistence in Europe and throughout the world--these are thus in general decisively promoted by a rapidly socialist economic system.

Starting with the general consideration that economic collaboration between states having different social systems embodies an integrated part of peaceful coexistence, it is now necessary to make a motive of the socialist countries, which is specific to that system, to make the detente process irreversible by consolidating its material foundations and they can contribute to that by means of concrete steps of economic collaboration. "In our policy toward the capitalist states, the decisive thing was and remains the struggle to implement the principles of peaceful coexistence, the struggle for a lasting peace, for a reduction and, later on, also for the elimination of the danger of a new world war" (25) said L.I. Brezhnev at the 25th Congress of the CPSU.

Through the expansion of economic collaboration with concerns in imperialist states and the resultant effects, it is necessary to create those conditions which will make the governments of imperialist states and the groups of the monopoly bourgeoisie behind them also economically interested in going along with a policy of peaceful coexistence or not abandoning such a policy. An abandonment of this policy would be directly to their economic disadvantage.

The mutual economic advantages arising from trade with socialist countries therefore are suitable for strengthening those forces of monopoly capital who are prepared to come up with a realistic situation estimate of the international situation and to pay more attention in their policy to the existing balance of power between socialism and imperialism. At the same

time this improves the opportunities for democratic forces in those countries further to push back the influence of the monopoly groups that are interested in the continuation of the Cold War, groups which are intertwined with the military-industrial complex and which in some imperialist states exert considerable influence on government policy (26). That strengthens those tendencies in monopoly capital which are aimed at collaboration with socialist states and in this way one can promote the processes of differentiation within the big bourgeoisie.

In their efforts to develop economic relations with capitalist countries, the socialist states are furthermore guided by the interests of the working class and all working people in the capitalist countries. On the one hand, economic collaboration, as an integral part of the policy of peaceful coexistence, helps secure peace in Europe, something which gives the working class and all working people in western Europe better fighting conditions against the might of the monopolies. On the other hand, better social conditions are created here for elements of the working people through orders from socialist countries for already attained social improvements are preserved also under the pressure of critical developments. L.I. Brezhnev stressed this thought at the conference of European communist and worker parties when he said: "They correspond to the direct interests of the workers. It suffices to say that, according to statistics published in the west, economic relations with the socialist countries during today's critical times already guarantee jobs for hundreds of thousands and even millions of people in western Europe. But on this road likewise, the capitalist countries, which frequently employ discriminatory measures against the socialist countries, are piling up many difficulties" (27).

Finally, another point of political significance in economic relations between socialist and capitalist countries is to be seen in the fact that socialism in this fashion exerts increasing influence on the structure of the world market, especially on the dispute about the reorganization of international economic relations. Possibilities arise undoubtedly for pushing the influence of the imperialist states back so far that international economic relations will be less and less shaped by imperialism.

Today already imperialism is no longer strong enough to put its brand alone on international economic relations. Socialism, to be sure, considering the facts of life, is likewise not yet strong enough in order--for the purpose of shaping economic relations between imperialist industrial states and developing countries--for example to implement principles such as they exist on the basis of socialist production conditions. One must therefore not entertain the illusion that it could be possible, in the existence of two opposing social systems, to implement such conditions in these international economic relations as would correspond to the character of relations between socialist states.

Nevertheless, the exemplary effect arising from East-West economic relations with regard to relations between capitalist industrial states and the "Third

World," keeps growing. The young national states can realize increasingly clearly that economic relations between socialist states and capitalist countries start from mutual advantage and bilateral benefit, that the capitalist partners are forced to respect the socialist foreign trade and foreign exchange monopoly, that they cannot interfere with the sovereign rights of socialist states, with natural resources and other resources, that the exploitation of human labor in socialist countries is made impossible, etc. Such democratic principles in mutual economic relations, which one must constantly strive for, must become a part of the demanded "new international economic order."

These various motivations of the socialist countries clearly show that their policy is in keeping with the interests of the socialist states, the preservation of peace, but also the interests of all peace-loving people, especially the working class and all working people. The progress that has been made on the road of peaceful coexistence and the simultaneous increase in the fighting actions of the working class in the imperialist countries as well as the growing antiimperialist activity of the young national states in recent years emphatically refuted the assertion of pseudorevolutionary circles to the effect that coexistence and collaboration means treason to the cause of the socialist revolutions.

#### Motivations of Capitalist Industrial Countries Specific to Their System

The motivations of capitalist circles for expanding economic relations with socialist countries are manifold. As a rule, economic and political but also ideological reasons merge here. But above all, circles of the capitalist economy, especially the principal powers of imperialism, are increasingly trying--in view of the deteriorating capital utilization conditions--to seek closer economic relations with socialist countries because such relations after all yield a series of advantages for them from economic collaboration.

Reputable representatives of monopoly capital on the one hand start with the idea that sales conditions and the market problem becomes more and more complicated for capitalist production due to the growing pressure of the competition. On the other hand they hold the view that it is precisely the markets of the socialist countries which will expand considerably not just in short-range terms. In a certain way they thus confirm the idea that socialism has a high degree of economic dynamics and, thanks to the socialist planned economy, has a steady, very fast industrial output growth rate which surpasses that of capitalism. The stability of the markets of the socialist countries and their orientation toward the future was characterized by the then state secretary of the FRG government and subsequent chairman of the board of directors of the Krupp Concern, Ernst Wolf Mommsen, in a speech to the Export Club in Munich with a reference to the "market of the East which has a tremendous investment and service requirement" and which supposedly belongs to the few developable markets of our globe to begin with (28).

At the same time, there is growing concern among capitalist states over the growing international competition in the utilization of these markets which, in the opinion of leading capitalist circles, one must get ahead of. The western side hopes for better utilization of capacities from trade with the socialist world, specifically, both in traditional and new industry branches. Experts in the capitalist countries here, particularly point to such industry branches as metallurgy, especially steel production, machine-building, the chemical industry, electrotechnology and electronics, as well as some sectors of the consumer goods industry. The share of machines being delivered to the Soviet Union by France already amounts to 16 percent of French machine exports. It is considered possible that these shares might go up to 40-50 percent over the next 10 years.

The struggle for socialist markets encompasses not only western European countries but promotes the competitive situation also with regard to the United States and Japan. THE NEW YORK TIMES, for example, notes that advertising by the imperialist big powers--France, the FRG, and the United States are mentioned in this context--to win the socialist market "has split the political unity of the Atlantic Empire. Today there is a constant wrestling for the Soviet market behind the scenes in which Europe and the United States view each other with subliminal reciprocal distrust" (20).

Another problem, which is significant for trade with the socialist countries, is represented by the difficult raw material and energy situation in the capitalist part of the world which has existed for quite some time. Conditions for the expanded reproduction of capital in many capitalist states have deteriorated seriously particularly in connection with the aggravation of the petroleum and energy crisis. For these countries, the compulsion to secure for themselves additional raw material and energy sources is therefore particularly acute. Against this background, concerns in the imperialist countries are trying to participate in exploration or mining of raw materials also in socialist countries, among other things, by making capital goods and funds available. In this way the concerns hope to reduce their dependence on raw material regions or certain raw material producers they have been using until now. This involves primarily petroleum, natural gas, lumber, asbestos, important ores and other raw materials and both the prospecting of the deposits and their exploration, extraction, processing, and transportation, the latter, for example, by means of interconnected grid systems, pipeline networks, and container systems.

In this context, Otto Wolff von Amerongen urged that economic relations be sought for a secure raw material and energy supply primarily with the East in order to arrive at a diversification of raw material procurement (30). Indeed, the CEMA countries supply a significant share of individual groups of products which western Europe needs, particularly to secure its raw material base. The CEMA countries supply about 25 percent of western Europe's imports of hard coal, 20 percent of petroleum products, and 40 percent of round timber. It is to be expected that the share of these exports by the CEMA countries will continue to go up over the next several

years. A UN study for example assumes that the share of deliveries for all fuels, which is presently 7.8 percent, will rise to about 11 percent by 1980.

Siemens AG [Incorporated], Munich, board of directors member Paul Dax for example made the following statement on the interest situation of the capitalist countries in trade with socialist states in the raw material and energy sector: "We will thus, in longer range terms, be able to figure on a considerable share of fuel and raw materials in Soviet exports going to West Germany. In view of the current and anticipated price development tendencies in the raw material and energy sector, this outlook for the Soviet Union looks entirely attractive. To that extent, in other words, we do have the prerequisites for advantageous interest supplementation and supplementary exchange for both sides on the basis of natural partnership also for the future..." (31).

Competition is furthermore based on the goal of the western European monopolies to guarantee production dimensions which will be comparable to the American ones. That also includes growing interest in the utilization of the scientific-technological potential of the socialist countries in order to make it useful for the purpose of closing the European technological gap and catching up with the Atlantic partner (32). This involves primarily the results of basic research but also, to an increasing degree, applied research. This includes results in metal working, in machine-tool building, in energy systems and plants, in aluminum production, in space research, and in the extraction of natural resources.

Capitalist enterprises and governments in a series of capitalist states furthermore hope that trade with the socialist world will produce certain business-cycle-promoting impulses particularly during periods of moderate economic growth or during times of crisis. That applies to the majority of the capitalist states. Austrian foreign minister Staribacher, for example, declared that, if one wanted to guarantee greater domestic stability, then one must not exclusively orient one's economy exclusively toward ties with the western markets (33). And E.W. Mommsen observed: "In terms of foreign trade, commerce with the East Bloc is worthwhile for West Germany because these countries are not subjected to the pronounced business cycles of western industrial countries. Compared to our greatly fluctuating exports to the industrial countries, one should be able to find an element of stability here" (34).

The interest in getting orders from socialist countries and purchasing products from CEMA countries which are in short supply in the west is presently also stimulated by the fact that, in capitalist countries, under the influence of long-term crisis phenomenon, an effort is made to preserve existing jobs or to create new jobs through stepped-up trade with the socialist countries in order to mitigate tensions, as it was put by the then British Prime Minister Harold Wilson during his visit to Moscow in 1975. According to calculations by bourgeois economists, an annual export volume of \$1 billion guarantees jobs for 60,000 workers in the United States. If we keep in mind

that, according to calculations of experts, average labor productivity in western Europe is considerably behind that of the United States, then we may start with the assumption that the present volume of their "eastern exports" in the capitalist industrial countries guarantees jobs for about 1.8-2 million workers (35).

In West Germany alone, the number of unemployed has declined by several hundred thousand by virtue of orders from the socialist countries alone. In this connection, SPD chairman Willy Brandt pointed out the following in Bremen: "Stepped-up trade with the East Bloc countries could be helpful in overcoming unemployment" (36).

Of course, this motive must be relativized in terms of its significance. In the course of division-of-labor processes, the capitalist countries also transact corresponding imports of products from the socialist countries. Accordingly, this motive applies above all to those branches where the socialist states are exporting particularly intensively and here again this applies primarily to the leading big enterprises. These economy branches include especially machine-building, the electronics and electro-technical industry, parts of the raw material industry and the chemical industry. The consumer goods industry, the auto industry, and power plant construction, among others, are far less touched by that. Besides it is after all one of the specifically goal-oriented policies of the capitalist states, last but not least for reasons of job security in their economic sphere during critical times to deliver more to the socialist countries than they procure from them.

Increasing interest on the part of capitalist enterprises in trade with socialist countries involves stepped-up possibilities for purchasing technically and qualitatively high-grade products in the area of the CEMA countries. But these enterprises have only recently become familiarized with the capacities existing along these lines in the CEMA countries. Their interest recently has been concentrated increasingly on metallurgical equipment, turbines, nuclear power plants, machine tools, general and farm machine-building products, precision mechanics and optics, the glass and ceramics industry, as well as some other sectors of the consumer goods industry.

The motivations for engaging in commerce with socialism finally include also the striving of western Europe's small countries to improve some of their industry branches and efforts by individual, especially small and medium firms, to improve their economic existence by getting into new markets in the socialist countries. In this way they try to sidestep the competitive pressure from the big international monopolies or the imperialist states. Strong trade with the east offers the possibility of strengthening economic independence and preserving neutrality particularly for some small European countries, such as Austria, Finland, Sweden and Switzerland. Within the framework of further economic collaboration, it is precisely these countries of Europe which could specialize in those sectors of scientific-technological progress which are best in keeping with their industrial traditions.

The trend toward collaboration with the socialist countries includes attempts by capitalist enterprises to transfer production programs requiring much labor, energy, and material to the socialist countries. There is also the idea of awarding production programs harmful to the environment to socialist states in order thus to shift certain environmental problems. The socialist states here must in every specific case involving such a project carefully consider the optimum between the advantages for socialism and the possible disadvantages (37).

In developing its economic relations, the big bourgeoisie of the imperialist states however by no means starts only primarily with economic considerations; political objectives against the socialist states are tied to that. The political objectives--just like the ideological ones which remain to be covered--are advocated by all politically leading forces of imperialism basically with respect to their strategies. They are to be found both in circles of the economy and among the various political groupings, parties, etc.

The difference in basic concepts here consists in the fact that imperialism's compulsion for adaptation is reflected more clearly among the realistically oriented forces in the form of more flexible positions while the pronouncedly reactionary forces of capitalism are doing everything they can to delay or reverse the detente process. The political intentions, which are connected with expanded economic relations, are aimed in the following directions.

An effort is made to reform the socialist social system in connection with economic relations. Bourgeois politicians and ideologists unmistakably, even under present-day conditions, have not abandoned the hope of being able to interfere in the development of the community of socialist states with the help of expanded economic relations. Representing this kind of wishful thinking, we might mention some comments by ideologists of imperialism in recent years who belong to different fractions of the imperialist bourgeoisie.

Here we might recall the comments by leading CDU/CSU politicians particularly during the time before the last lower house elections, who, protecting the interests of West German monopoly capital, did not come out generally against economic relations with the socialist countries but who exploit such relations one sidedly in the interest of imperialism and who want to achieve politically "benevolent behavior" in the interest of imperialism on the part of the GDR and other socialist states through blackmail (38).

Margaret Thatcher, leader of the British Conservative Party, for example, considers the role of Great Britain's economic relations with the Soviet Union to be a means for exerting pressure in order to achieve "benevolent behavior" in foreign-policy terms. Into this tendency also fits the endeavor by leading right-wing circles in West Germany to restrict the sovereignty of the GDR and other socialist states by threatening sanctions against them. Richard Loewenthal, West Germany's leading political expert

and author of the anticommunism resolution of the SPD approved at the end of 1970, demands that, along with the offer of cooperation in the economic and technical fields, "considerable concessions" be negotiated with regard to the "internal conditions" in the Soviet Union and in the other socialist states (39).

With the help of economic relations, in other words, economic and political pressure is to be exerted upon the socialist countries in order to obtain certain concessions from them in the domestic-policy and foreign-policy fields. Reactionary circles in the United States Senate are also characteristic of that; through the amendments which they tacked on to the American trade law, aimed at interference in the internal affairs especially of the USSR, they deny socialist states the application of full-fledged most-favored nation treatment.

Other political intentions are aimed at hindering the integration process of the socialist countries in the CEMA as well as the process of the further political consolidation of the community of socialist states. Differentiated offers extended to individual socialist countries, combined with efforts to develop nationalist tendencies in some socialist states, are supposed to bring that about.

All of these endeavors--as far as imperialist objectives are concerned--are today and will in the future be as hopeless as they were in the past. The socialist countries have made it clear often enough that such blackmail attempts, which aimed at interference in their internal affairs and their foreign policy, have no chance whatsoever, although they do confront the socialist countries at least temporarily with a number of complicated conditions. Such a policy in the end can only backfire upon the imperialist states themselves; it does of course represent a burden on the detente process, on international commerce, and it thus also impairs the economic interests of large circles of capital.

In the attempts of bourgeois politicians to exploit these objectively founded economic relations for their own class interests and against the interests of socialism, the hope of the imperialist subversion centers--to be able to exert ideological influence on the citizens of socialist states with the help of comprehensive East West trade--also plays a growing role. They want to convert economic relations into a means of the ideological struggle against socialism.

For years they have been trying to downgrade the successes of the CEMA countries in socialist construction by asserting that the socialist countries are in a position to utilize the possibilities of the scientific-technological revolution only with the help of western technology. Bourgeois ideologists here deliberately ignore the fact that the CEMA countries, in the course of the socialist integration community, developed into the world's most dynamic and most stable economic region.

By delivering modern technologies and especially consumer goods, some of these anticommunity ideologists want to bring about bourgeois or petty-

bourgeois ways of behavior among people in the socialist states, a kind of "bourgeoisification" of life under socialism, such as it was propagated by American ideologists Stanley and Whitt (40).

Certain imperialist circles hope to be able to create the impression of the definite superiority of capitalist technology and consumer goods production among citizens of socialist states in order thus to arouse doubts about the capacities of the socialist social system (41). According to the words of NATO economic secretary Yves Laulan, east-west trade could be used in order "to reintroduce political liberalization where it has been abolished." That is supposed to mean the attempts of the gradual restoration of capitalism, primarily by means of ideological subversion, as we can see from his further remarks: "And thus the countries of East, when they buy products from the West, subconsciously also import some of our value system along with our commodities. It might happen the way it did in the fairy tale of Ali Baba and the Forty Thieves, where one gold coin remained stuck to the bottom of the corn barrel" (42). But fairy tales remain fairy tales--even if one tries to transplant them to present-day international relations.

The attempt by imperialist circles to abuse economic collaboration for the purpose of interfering in the internal affairs of the socialist states, are not given any leeway whatsoever by socialism. On the contrary: the strength of socialism, its growing dynamics are the guarantee that economic relations between socialist and capitalist countries cannot be misused as means of imperialist subversion but instead develop into an ever more important contribution to the consolidation of peaceful coexistence.

It is a clear expression of the growing worldwide influence of socialism also on the shaping of economic relations between systems that, on the imperialist side, in most recent times, in view of the further aggravation of the general crisis of capitalism, especially those circles of the bourgeoisie are now beginning to prevail more and more whose motives are primarily of an economic nature and that those others are being pushed back who consider economic cooperation primarily as a means for antisocialist activities.

#### Conclusions for Joint Solutions

The interests in reciprocal economic relations are extraordinarily contradictory in the socialist and capitalist states, specifically, the way this corresponds to their differing social system and the objectives resulting from that. For the socialist countries the important thing is to tie, in their own policy, in with the various interests of capitalist states for an expansion of economic relations and to push back the particular disturbing factors or factors counteracting socialism to the optimum extent. Here we can recognize the clear limitations of this collaboration which we will go into later.

Although both social systems approach the shaping of economic relations in different ways in the light of their specific class interests, there is nevertheless a number of points at which these interests intersect and which

become effective in mutual economic relations. These processes take place in a dialectical manner between the unity and the struggle of interests of different partners, whereby, along with the continued existence of these contrasts, the sphere of these interest intersection points undoubtedly grows broader. As we emphasized before, this is based on the processes of internationalization of production under the conditions of the scientific-technological revolution (43). Such combinations of interests exist on both sides primarily in the light of the realization that the benefit derived from division-of-labor and partly production-cooperation processes accrues to everybody, that the universal problems of raw material, energy, and fuel supply and of environmental and transportation questions can be resolved in an optimum fashion only by a common effort, that, furthermore, the solution of food problems, the peaceful use of the oceans, of space, etc., will be unthinkable in the future without global collaboration.

Such interests one may consider as an essential foundation for the fact that there can be more expanded economic relations in the future between socialist and capitalist countries. In the final act of the CSCE, the participants express the conviction "that the increasing worldwide reciprocal dependence in the area of the economy will increasingly demand common and effective efforts to solve the big problems of the international economy, such as the nutrition, energy, raw materials, currency, and financial problems, and that it therefore underscores the fact that it is necessary to promote stable and balanced economic relations and thus to contribute to the continual and diversified economic development of their countries" (44).

Considering the objective foundations for economic relations and the interests of the working class, the peasants, the intelligentsia, and all workers in all countries of Europe when it comes to collaboration between socialist and capitalist countries, Europe's communist and worker parties agreed on declaring these objectives to constitute an important point in their work. The document of the conference of European communist and worker parties furthermore has this to say on this point in the chapter entitled "For The Unfolding Of Mutually Advantageous Collaboration, For Better Understanding Between Peoples": "This is why the conference participants urge that everyone work toward the development of economic collaboration between all European states, regardless of their economic and social systems, on the basis of equality, respect for the national sovereignty of each state, and mutual advantage which presupposes the application of the system of most-favored nation treatment and the elimination of discrimination and restrictions which hinder the development of all-European trade. That would be fully in the interest of the struggle of the workers against the effects of the crisis and the interests of the economic growth of Europe's countries." (45).

#### On the Development of Economic Collaboration

Economic relations between countries having different social systems, since the existence of the first socialist state, have gone through a series of

development phases. To them correspond in each case certain forms and methods of collaboration or dispute which, in turn, cannot be separated from the general levels, forms, and methods of the struggle between imperialism and socialism.

The policy of the Soviet Union was and has, since the founding of the first socialist state, in keeping with the socialist policy designed by V.I. Lenin with respect to the capitalist countries been aimed at developing mutually advantageous economic relations with the other economic system. This was and still is based on the objective historical tendency toward growing division of labor between all nations and states as the result of advancing internationalization of economic life. The tendencies toward the maintenance of a world market were and are being considered in economic policy. Socialist policy, which is oriented toward economic collaboration with the capitalist states, is clearly characterized by its continuity. Here we might recall for example the following remarks by V.I. Lenin: "We are now moving into the economic area and we submit to the entire world a positive program. We come out and we declare: We take it upon us to build the entire world on efficient economic foundations and there is no doubt that this is correct. There can not be any doubt that one could immediately restore the entire international economy if one were energetically to tackle this effort with modern machines and with the help of science. I see no reason why a socialist state like ours cannot maintain unlimited business relations with capitalist countries" (46).

The representatives of the Soviet Union acted along these lines during many international conferences, for example, in Genoa in 1922, in Geneva in 1927, in London in 1933, etc. The declaration by the head of the Soviet delegation to the Genoa conference, G.V. Chicherin, which was edited by V.I. Lenin, we find the following passage: "From the viewpoint of the principles of communism, the Russian delegation recognizes that, during the current epoch in history, which makes possible the parallel existence of the old and the rising new social orders, economic collaboration between states, which embody these two property ownership systems, is urgently necessary" (47). Between 1921 and 1925, the Soviet state entered into more than 40 trade treaties and agreements with other countries.

At the end of the twenties and the beginning of the thirties, the Soviet Union agreed upon deliveries of equipment, the acquisition of licenses, and technical support with a series of big foreign firms. Lenin also stressed that there are bilateral interests nevertheless, although this involves diverging societies. In an interview with a correspondent from THE NEW YORK HERALD in April 1922, he said: "The momentary situation cannot last. It is fatal both for Russia and for the entire world. Russia needs trade with the bourgeois states. On the other hand, the bourgeois governments know only too well that Europe's economic life cannot be straightened out without Russia" (48).

Naturally, Lenin's thoughts were not oriented toward a restoration of the old capitalist world economy which included tsarist Russia. He was instead

concerned with using developed mutual economic relations in order to cross up the imperialist policy of blockade against the first socialist state, such as it was conducted by the pronouncedly reactionary circles of the monopoly bourgeoisie and to develop economic relations to mutual advantage. Practical evidence of the correctness of Lenin's statements, which have become a guideline for the Soviet Union's foreign trade policy, is its commercial activity with the capitalist countries, especially with western Europe during the twenties and thirties. From that time we are generally familiar with the big order which the USSR gave to German industry and which, during the worldwide economic depression, guaranteed jobs for many thousands of German workers (49).

The policy of developing economic relations between socialist and capitalist states thus is by no means a result of considerations in socialist states dating back to recent times, spring perhaps from momentary pragmatic ideas, such as politicians and scientists in some capitalist countries assert, but rather it is a principle of socialism. Collaboration with capitalism has been designed in long-range terms since the existence of socialism.

#### Imperialist Economic War and Fight to Implement Socialist Positions in World Economy

In 1945 and during the years thereafter, socialism's policy, with a large number of initiatives, was also aimed at expanding economic relations with the capitalist states. But that effort at the time ran into bitter resistance from the imperialist powers. They countered socialism's positions, which at that time also turned against all attempts at autarchy and which were aimed at the preservation of the unity of the international economy--coupled with the observation of its various, socially different subjects--with the imperialist concept of the Cold War in the field of international economic relations. It was their goal to split the international economy and, in connection with that, to isolate the socialist countries economically.

After World War II, the socialist countries tried increasingly to establish economic links between the East and West, especially in Europe--in spite of the embargo policy pursued against them. Here we might recall the appearance of the Soviet Union at the 1947 Havana world trade conference, the 1952 world trade conference in Moscow, the draft of the USSR for an all-European treaty of 20 July 1955 (submitted in Geneva), the draft of the USSR for an all-European economic agreement of 13 July 1956 with already very detailed proposals on areas, forms, and methods of cooperation. Finally we must stress the manifold initiatives of the states of the Warsaw Pact, for example, their meetings in Bucharest (July 1966) and Prague (October 1967). They were based on the determinations or resolutions of the party congresses of the communist and worker parties in the socialist countries. Here we must mention above all the statements by L.I. Brezhnev and A.N. Kosygin at the 24th congress of the CPSU and those of the leading representatives of other socialist states, including those from the GDR, such as, for example, the trend-setting orientation given by Erich Honecker at the Eighth and Ninth Congresses of the SED.

These declarations always went hand in hand with the concrete proposals for economic, scientific, and technological collaboration in Europe, such as they were discussed in recent years in the United Nation's ECE (50). All of this shows quite clearly that the policy of collaboration with capitalist states in the economic area represents an important concern of the states of socialism which they have constantly pursued.

Until far into the fifties, the ideas of imperialist ideologists and politicians and the policy of the governments, primarily the United States, but also in western European countries, regarding economic relations between states having different social systems and economic policy itself, were most extensively marked by an openly aggressive attitude toward the Soviet Union and the other socialist states. This was quite in keeping with the attempts of the imperialist states at that time to implement their policy of atomic bomb threats and of the "rollback" also with economic means, partly also in the field of economic relations. The imperialist politicians hoped that the national economies of the socialist countries would not be able to cope with the manifold demands of the postwar period: The repair of war damage and the consequences of war, the buildup of socialist society, the implementation of socialist industrialization in a number of countries, the accomplishment of tasks deriving from the scientific-technological revolution and the socialist cultural revolution, as well as securing the defensive strength of the socialist community.

Accordingly, economic relations between the United States and the western European states, on the one hand, and the Soviet Union and the other socialist states on the other hand, were characterized by throttling and discrimination and partly even by trade bans. This policy was expressed in juridical or institutional terms in the embargo laws, other export restrictions for the economy of the United States and the western European countries, especially the NATO states, but also Japan. These are laws such as, for example, the American "Battle Act" which hindered or even outlawed the delivery of a large number of commodities to the socialist countries. One institution to organize this kind of economic warfare against the socialist states in particular was the COCOM of the NATO states which was under American control; its function was to supervise compliance with trade-choking measures.

Under the influence of this policy of American imperialism and pronouncedly revanchist imperialist circles in western Europe, trade between the eastern European and western European states shrank considerably.

During the time prior to World War II, trade between eastern Europe and western Europe came to approximately \$2.2 billion; after the war it declined considerably although world trade as a whole at the same time rose considerably; in 1950 it only amounted to about \$1.5 billion. Particularly striking is the decline in deliveries from western Europe's capitalist countries to the CEMA countries which were reduced from \$1.2 billion during the time prior to World War II to a figure of \$750 million annually. Table I shows how

foreign trade between the socialist and capitalist countries of Europe developed during the time after 1925 (compared to 1938). While, for example, American shipments in 1946-1947 still amounted to about \$120 million, they were below \$10 million in 1953. As a result of this policy, the share of east-west trade out of world trade dropped from about 4 percent during the initial postwar years to about 2 percent in 1953, in other words, by one half (51).

Table I. Foreign Trade Between Socialist(1) and Capitalist Countries of Europe

	1938	1950	1953	1960
4) Export der sozialistischen Staaten, Mio Dollar <sup>2</sup>	983	750	838	2122
5) Import der sozialistischen Staaten aus den kapitalistischen Staaten Europas, Mio Dollar <sup>2</sup>	1200	750	835	2316
6) Exportvolumen <sup>3</sup> der sozialistischen Staaten nach den kapitalistischen Staaten Europas, 1950 = 100	205	100	105	235
7) Importvolumen <sup>3</sup> der sozialistischen Staaten aus den kapitalistischen Staaten Europas, 1950 = 100	305	100	87	234

Legend: 1--USSR, Polish People's Republic, Bulgarian People's Republic, Romanian Socialist Republic, Hungarian People's Republic, GDR, CSSR, Albanian People's Republic, excluding trade volume between the GDR and the FRG; 2--At current prices; 3--At 1950 prices; 4--Exports of socialist states in millions of dollars(2); 5--Imports of socialist states from Europe's capitalist states, millions of dollars(2); 6--Export volume(3) of socialist states to Europe's capitalist states, 1950=100; 7--Import volume(3) of socialist states from Europe's capitalist states, 1950=100. Source: Monthly Bulletin of Statistics, Economic Bulletin for Europe, New York, 1960-1965.

The Swedish scientist, Gunnar Adler-Karlsson very aptly described this policy with the following words: "After World War II, east-west trade was characterized by the fact that it was not the Soviet Union, but rather the United States who used foreign trade as a political weapon in the cold war. This observation contradicts the observation generally propagated in the west; it is nevertheless the truth"(52).

The policy of economic embargo pursued by the imperialist states thus is the main cause for the fact that, into the sixties and, in terms of their delayed effects, well into the present, the CEMA countries could not or can not participate in international division of labor and economic collaboration on the basis of equal rights and to an extent possible in accordance with their development level.

As we know, this policy of American imperialism did not lead to the desired results; it had been supported by imperialism's reactionary circles in the western European states, for example, the FRG administration under Adenauer. The advantages of the socialist system proved to be superior to capitalism. The socialist countries closed ranks and developed their own resources under the leadership of the communist and worker parties and through the verve of the working people much more than the leading circles of the imperialist states had expected. This had negative repercussions on their own economy. West German economist Rolf Krengel admitted the imperialist failure with the following words: "It is certain that the hope of some western politicians to get the 'east' to make political concessions by interfering with foreign trade, did not materialize" (53).

In particular, this embargo policy was increasingly subjected to the criticism of growing segments of the population in western European states but also governments and social organizations, especially in France, Great Britain, and the Scandinavian states. They frequently resisted America's striving for hegemony particularly for reasons of competitive advantage and tried to step up trade with the socialist countries.

Nevertheless, this imperialist policy created great difficulties for the socialist countries. Although any striving for autarchy is essentially alien to the socialist countries, they were nevertheless, during that time, were forced by imperialist policy to organize a self sufficient economy within the CEMA in many sectors, to build up complete industrial complexes themselves, in order to eliminate disproportions which interfered with the reproduction process, to keep the economy going in high gear or to develop it through crash programs, etc. Inadequate financial and technological resources among other things did not always lead to the most efficient utilization of capital goods but rather to a series of duplications of effort in terms of production. Some of the solutions forced by these conditions therefore were not optimum from the viewpoint of effective and efficient division of labor. During that time, the socialist countries often were not concerned with developing an export industry oriented toward the world market but rather primarily with securing imports through shipments to western countries. All that required above all an additional investment effort which in some cases constituted a heavy burden on the national economies.

The destructive effects of imperialist policy could also be overcome only very slowly during the following years. The greatest positive impetus here sprang from socialist economic integration and the selfless aid which the Soviet Union gave to all socialist brother countries.

#### Attempts At Imperialist "Economic Bridge-Building"

The openly aggressive policy of the imperialist class struggle against socialism in the field of the economy at the latest by the end of the fifties and the early sixties increasingly proved to have failed although,

as we stressed before, it had caused the socialist countries considerable difficulties which could not be quickly overcome. Now the imperialist states, including West Germany, in accordance with new concepts switched to attempts to act upon individual socialist states with the help of economic relations. The embargo policy was curbed but it did nevertheless continue to exist partially and was applied selectively; the same is true of the activities of the corresponding institutions responsible for control of east-west trade, such as COCOM. Imperialism's concepts during that phase likewise were still very much shaped by the methods and forms of the Cold War although the ideas of the socialist states gained influence over leading imperialist circles after the creation of equal economic relations. Although the policy of the cold war prevailed, there were at that time certain elements of a realistic economic policy which promoted international division of labor, particularly on the part of some imperialist countries in western Europe, such as, for example, France and, at certain times, also Great Britain.

This period of time however was at the same time characterized by imperialist attempts to "divide" the socialist countries through an economic "bridge building" policy, that is to say, by means of more flexible methods and stepped-up economic relations and to hinder their socialist economic collaboration. The socialist countries were to be separated from the Soviet Union economically and politically and were to be made dependent upon the capitalist countries so that they might in the end once again be incorporated into the imperialist system.

The climate of economic relations at that time was extensively influenced by the attitude and concepts of American politicians and ideologists (54). American ideologist Zbigniew Brzezinski, today once again one of the leading politicians in Washington, for example, thought that extensive economic relations with the socialist states could "be justified only if there are simultaneously also other components, such as structural reforms in the communist economic system, increased and closer contacts and growing free fluctuation of individuals and ideas" (55). One of the most important means for this kind of "exploration" and for "loosening the bonds between the communist nations"--in the opinion of Representative Thomas J. Dodd--was represented by the effort to force east-west trade (56).

Such political objectives by American ideologists and politicians had their corresponding reflection in western Europe. Representatives of this direction in West Germany might be emphasized here, whereby it is particularly interesting to note for this time that the main advocates of a "flexible" approach were to be found among SPD leadership circles who, promoting the interests of West German monopoly capital, made an attempt to lead West Germany out of foreign-policy isolation in that it had been maneuvered into a situation where it would be under CDU/CSU leadership (57).

Denzel Jaksch, at that time a member of the SPD executive committee, demanded that a long-term economic policy toward eastern Europe be designed

in West Germany and in western Europe whose task it would be "to achieve a breakthrough in rigidified eastern political frontlines by means of the concentrated employment of West Germany's economic potential." All of western Europe supposedly has "a vital interest in strengthening evolution in the East Bloc" (58).

Karl Schiller, who was the economic expert of the SPD party executive committee at the time and who later on became minister of the economy in the Kiesinger/Brandt/Scheel cabinets, propagated the idea of a social transformation of socialism through expanded economic relations under the slogan "Change through trade" (59).

In a memorandum addressed to the then Secretary of State Dean Rusk, Willy Brandt developed the idea of weakening the community of socialist states by separating the remaining socialist countries from the Soviet Union with the help of developed east-west trade (60).

West Germany and other imperialist countries followed these concepts and stepped up their efforts of economic blackmail directed against the socialist countries; at the same time they submitted differentiated "offers." Simultaneously, import restrictions on commodities from socialist countries, discriminatory customs duty regulations, etc., were maintained most extensively in order to screen the capitalist market against products from socialist countries and an attempt was made, by handling these instruments in a "flexible" manner--in other words, with blackmail methods--to exert pressure on the socialist countries. Reciprocal commerce during that time grew only relatively little. Major undertakings or more intensive forms of collaboration, such as economic or industrial cooperation, accordingly could not be tackled.

These imperialist concepts however likewise did not produce the result desired by imperialism. In a subsequent analysis, one of the leading imperialist politicians, the American billionaire David Rockefeller, also had to admit the following as far as the United States was concerned: "Over the past 20 years we have almost completely discontinued trade; we have renounced most of the exports and that did not force them to their knees; that did not make them beg us for alms and that did not deter them from rearming and becoming more powerful throughout the world" (61). The imperialist concepts failed primarily because of the unity and compactness of the countries of the community of socialist states who strengthened their economic relations among each other.

Because the socialist states had no other alternative due to the aggressive policy of the imperialist states, the CEMA countries during that time were only able to rely on themselves in order to preserve their independence and sovereignty and nevertheless to take rapid steps in the fields of economic and scientific-technological progress as well as the elevation of the material and cultural living standard of the working people. This means that all of the talk by the imperialist politicians--to the effect that the

CEMA is trying to achieve autarchy for its economy--can be considered just so much slander. There never was a policy for the economic encapsulation of socialism; there were only aggressive attempts by the imperialist states to isolate the socialist countries, attempts which from time to time severely disturbed collaboration with capitalist countries. A policy of economic isolation is alien to the essence of socialism.

The policy of the imperialist states--as a result of which the traditional economic links especially between the European states were extensively torn up--significantly contributed to a situation where economic relations between the socialist and capitalist countries improved by the end of the sixties only in a few areas. Reciprocal trade between the socialist and capitalist countries of Europe rose from \$1.7 to \$4.4 billion. Although an almost 2.5-fold increase had been achieved by 1960, compared to 1950, east-west trade nevertheless only accounted for a small share out of world trade and at the end of the fifties came to about 3%. It stagnated until 1960, in other words, east-west trade grew approximately at the same rate as capitalist international trade and then rose only slightly until 1971. Correspondingly, trade with the socialist countries until the early seventies accounted only for a small share out of the foreign trade of most capitalist countries of Europe, but also those outside Europe. Only in the most recent years can we observe a new development phase in trade between socialist and capitalist countries as part of a new period in the dispute between the systems.

#### New, Favorable Developments in Economic Relations

During the most recent period of the dispute between socialism and imperialism, during the transition from the period of the cold war to detente, new conditions materialized also for economic relations between the socialist and the capitalist countries. In connection with the profound transformation of the entire system of international relations, a new phase of economic relations was ushered in between them. Economic relations here continued to remain a field of this dispute where imperialist circles hope to be able to attain long-term economic and at the same time certain subversive political objectives. These hopes however are more forlorn than ever before under the conditions which have been changed in favor of socialism. A comprehensive expansion and more intensive forms of collaboration between states having different social systems are possible today and are also necessary, above all because of objective causes.

The decisive cause is the all around growth of the might and influence of socialism and the attendant change in the international balance of power in favor of socialism, as well as progress that was made in the intensification of socialist economic integration on the foundation of the complex program. Here we must emphasize above all the growing economic strength of socialism, its secure markets which are oriented toward the future, the great raw material sources and the powerful energy sources as well as its planned development.

The socialist countries have entered the phase of the erection and further shaping of the developed socialist society. In this phase, socialism, by already developing on its own foundation, reveals its creative possibilities and its most profoundly humanist essence more and more completely. Developed socialist society is characterized by the tie-in of the gains of the scientific-technological revolution with the advantages of the socialist economic system, by a decisive turn toward intensive methods of economic development, by a qualitatively new level and by dimensions of production which make it possible directly to accomplish tasks connected with the creation of the material-technical base of communism, to guarantee the continuing growth of the prosperity of the workers, and to achieve important successes in the economic competition with capitalism. Developed socialism means a high degree of maturity of the entire system of social relations, which are gradually becoming communist, as it says in the 31 January 1977 CPSU central committee resolution entitled "On the 60th Anniversary of the Great Socialist October Revolution" (62).

In recent years, the international community of socialist countries has become even stronger. As a socialist economic integration community it simultaneously became the leading factor in international politics. On the other hand, the aggravation of the general crisis of capitalism, the complication of its existential conditions, as well as the clustering of cyclical and longer-term crisis phenomenon, brought about a further deterioration in reproduction conditions for capital. In this context we must also emphasize the crisis of neocolonialism, the crisis in relations between the imperialist and the developing countries. Under these conditions it is of decisive significance that socialism:

Considerably stepped up its offensive to implement the police of peaceful coexistence and that it can no longer be deprived of the historical initiative by imperialism;

In the meantime is in a position increasingly to determine the battlefield or the political, economic, and ideological levels on which the disputes between socialism and imperialism will be settled primarily, specifically, by avoiding military conflicts or through the reduction and fast termination of the employment of military means, wherever the imperialist opponent in one part of the world or another starts military conflicts;

And increasingly determines the means and methods with which the dispute between the two social systems is being carried out.

One feature of the period of the cold war was the rapid development of economic ties above all within the two international economic systems. As time went on, the expansion of economic and scientific-technological relations on the scale of the entire international economy emerged increasingly clearly, specifically, in a complicated complex in which socialist, capitalist and developing countries interact with each other, whereby nevertheless economic relations within socialism and within imperialism have priority.

Economic collaboration between states with different social systems can today be expanded in terms of volume and can be carried out in more intensive forms because--due to the compulsion for the adaptation of imperialism to its new existential conditions--the tendency toward collaboration is prevailing increasingly within monopoly capital, although of course monopoly capital have not changed its essence or its basic positions, in other words, the other tendency in monopoly capital, which is primarily aimed at confrontation, has not been eliminated. The constructive proposals from the socialist states, which are aimed at mutual advantage and unrestricted most-favored nation treatment, therefore have elicited an increasingly positive echo, whereby one must not overlook the fact that they can be pushed through only against the resistance of forces hostile to detente. The current development phase is therefore characterized by a combination between the internal shaping of economic processes in each of the two social systems, coupled with simultaneous international collaboration between the states of opposing social systems.

## II. Tendencies in Economic Relations Between Socialist and Capitalist States

The processes of internationalization of economic life, which have become increasingly clear in recent years, as well as the effects of the most varied international economic processes, the results of international detente which have already become visible, and especially the successes in the implementation of the peace program of the 24th congress of the CPSU have had a positive effect on economic relations between states having opposite social systems. In Europe, the way was paved to a system of collective security through a whole package of agreements and treaties, particularly between some socialist states and West Germany, as expressed in the final act of the CSCE in Helsinki.

In his Helsinki speech, L.I. Brezhnev commented on this as follows: "The conference laid down the directions and the concrete forms of collaboration also in trade and economy, science and technology, environmental protection, culture, and education, as well as in the area of contacts between people, institutions, and organizations. In our opinion, the overall result of the conference is to be seen in the fact that international detente is to an ever greater extent getting a specific material content (1).

## New Quality in Economic Relations Between Socialist and Capitalist States

One can indeed with full justification speak of a new phase in economic relations which is characterized not only by a growing increase in reciprocal foreign trade but also by new dimensions, forms, and methods employed in those relations. The qualitative changes in economic relations between the two systems, such as they emerged since the early seventies, consists primarily of the following:

Economic relations between socialist and capitalist countries in recent years developed not only quantitatively, perhaps at the rate of world trade, but we

can observe a more considerable growth here. Between 1960 and 1976 alone, the trade of the CEMA countries with capitalist industrial states rose more than ninefold, whereby the highest growth rates are between 1971 and 1974.

While trade between the capitalist industrial states developed only little in recent years or perhaps even stagnated--whereby the capitalist worldwide economic crisis played a decisive role--we can observe growth rates of, for example, around 30 percent in 1973 and more than 40 percent in 1974 (at current prices) in economic relations between socialist and capitalist states. Even after the elimination of the inflationary blowup of these rates, we are still left with a real increase of more than ten percent in east-west trade during those years. In 1975, trade increased further (by more than 10 percent at current prices). For example, the trade volume of the CEMA countries with the capitalist industrial states rose from about R7.5 billion in 1965 to about R38 billion in 1975 (table II).

Table II. Foreign Trade Volume of CEMA Countries With Capitalist Industrial Countries

In millions of rubles, at prices of the particular current year

	1965	v. H. zum Gesamt- umsatz	1970	v. H. zum Gesamt- umsatz	1974	v. H. zum Gesamt- umsatz	1975	v. H. zum Gesamt- umsatz
2) VRB	404	19,1	572	16,6	1061	17,4	1276	17,0
3) UVR	644	23,9	1222	28,4	2272	30,5	2112	24,4
4) DDR	1144	21,2	2067	24,4	4238	30,9	4132	25,9
Kuba	—	—	—	—	1473	36,8	1747	31,5
5) MVR	—	—	—	—	4,5	1,4	4	1,4
6) VRP	1091	26,6	1743	27,2	6232	44,4	7044	41,3
7) SRR	568	29,0	1227	35,8	3393	45,4	2920	36,7
8) UdSSR	2817	19,2	4694	21,2	12404	31,3	15843	31,3
9) ČSSR	865	17,9	1509	22,4	2757	25,9	2719	22,4
10) RGW- Länder	7533	21,0	13034	23,6	33834,5	32,8	37797	30,1

Legend: 1--Percent of total trade volume; 2--Bulgarian People's Republic; 3--Hungarian People's Republic; 4--GDR; 5--Mongolian People's Republic; 6--Polish People's Republic; 7--Romanian Socialist Republic; 8--USSR; 9--Czechoslovakia; 10--CEMA countries. Calculated by ITEM PW [International Economics and Politics Institute] according to "Statistisches Jahrbuch des RGW" (published by the Secretariat of the CEMA), Moscow current.

By virtue of its growth rate, which considerably exceeds the increases in world trade or in capitalist world trade, trade between socialist and capitalist countries takes on a greater specific weight in foreign trade to begin with. For example, the share of trade with capitalist countries

out of the foreign trade of the CEMA countries increased from barely 24 percent in 1970 to 30 percent in 1975 (see Table II). In a series of capitalist industrial states, the share of "eastern trade" is likewise growing considerably. In the case of small European countries, which are very much interested in trading with socialist countries, it is between 12 and 15 percent.

The new dimensions of economic relations can also be recognized by the joint completion of large-scale projects, particularly in the Soviet Union, through enterprises from socialist and capitalist countries, whose total currently comes to several billions of rubles.

New and more intensive forms of relations are taking shape in the economy, in science, in technology, and in production and they go beyond the traditional framework of the circulation sphere and partly or entirely take place in the production sphere. Production cooperation relations are becoming an important field in collaboration between socialist and capitalist countries.

All this requires a long-term effort and stability: Treaties are being signed increasingly for periods of 5-10 and sometimes even twenty years while during the fifties treaties were usually signed only for one year or just a few years.

Relations increasingly assume a complex character: Agreements and big projects now no longer involve just one or two branches of the national economy or just a few enterprises in a country; instead, numerous branches and a large number of the most varied enterprises--sometimes several hundred and more--participate in them now. Economic relations also increasingly reflect multilateral tendencies. Enterprises and organizations from socialist, capitalist, and developing countries participate in individual projects whose number keeps growing in the CEMA countries, for example, the Ust/Ilim lumber processing combine, the Iran--Soviet Union--Central Europe natural gas pipeline. Multilateral aspects emerge in relations between the integration groupings in Europe and other countries or also among them.

Finally, the new quality of economic relations calls for new methods, especially new mechanisms and a corresponding institutionalization or boosting of existing agencies (2).

Economic relations between socialist and capitalist states, however, are determined not only by greater quality. They are also marked by a series of tendencies and problems which have a different effect on their present and further development. In particular, a number of strategies of the imperialist powers, who are certainly striving for the expansion and intensification of economic relations, are aimed at more effectively subordinating these economic relations to their own social and economic-policy goals. For the socialist countries it is therefore important to push these strategies, which oppose the socialist objectives, back by means of an offensive policy of their own and to implement their own concepts to the optimum extent.

## Specific Problem Complex of Economic Relations Between Countries With Opposing Social Systems

One particular specific aspect of economic relations between socialist and capitalist countries consists in the fact that this involves economic connections which can not be established under production conditions of identical types but rather between states with socially contrasting social systems. Both sides must realize this first of all in any specific steps they may take and in the treatment of problems. The essential prerequisite for the development of economic collaboration resides in the fact that one must absolutely keep in mind that we are dealing here with different social systems from which spring certain system-conditioned limitations in the development of economic relations--something that remains to be explained later.

The final document of the CSCE is quite in line with that. Thus it says, for example, that the participating states want to develop collaboration in the areas of the economy, science and technology, as well as the environment "fully aware of the differences between their economic and social systems" as well as "by affirming their determination to strengthen this kind of collaboration among each other, no matter what their systems might be like" (3).

In economic relations one must thus start with the idea that--independently of the scope and intensity of collaboration--the social systems continue to grow on their own social-economic foundations. This means that, even under the conditions of a considerably higher level in economic collaboration, such as we know it today, the internal processes continue in both social systems; likewise, competition and dispute between them are not eliminated and that includes both the political and economic ones as well as primarily the ideological ones.

Laterally, the further construction of socialist or communist society continues to take place on an increased scale in the socialist states, along with a further in-depth development of socialistic economic integration as well as the process of advancing approach among the socialist states and nations as such.

Socialist economic integration is of special significance here; after all, from it springs the stable foundation for economic relations with states of the other social systems. Objectively speaking, the socialist countries obtain impetus for their own integration process from expanded economic relations with capitalist states. Economic ties with the capitalist states strengthen the economic power of the socialist countries and thus bring about a greater and more effective production potential with whose help again the integration process within socialism can be stepped up and which at the same time also creates even better prerequisites for economic relations with capitalism.

But the processes inherent in capitalism will also continue. Internal social developments, tensions, and conflicts between the classes and strata within the capitalist countries and between the imperialist states, capitalist centers, and economic groupings will progress and spread in depth because they are based on the objective lawful foundations of capitalism which can be eliminated from the face of the earth neither by alliances between imperialist states, nor by agreements among states with different social systems. The increasing aggravation of imperialism's contradictions based on the laws inherent in capitalism cannot be stopped by means of economic collaboration with socialism. Collaboration with capitalist states therefore can never lead to a stabilization of the capitalist system, as is assumed, for example by representatives of so-called neo-Marxist views on economic policy of the community of socialist states. This is also not relativized by the fact that, over the next several years, the forms of collaboration are becoming more and more intensive and the scope of economic relations between the states of the two systems will probably grow. The historical decline of imperialism cannot be stopped by economic collaboration. The character of the developmental laws, of economic laws under capitalism and under socialism, their opposing internal driving forces will not be altered because they continue to act on the basis of the particular property ownership conditions and the differing political power structures in each social system.

Economic collaboration does not generate a "third type" of economic systems which combines elements of both systems within itself, in accordance with the convergence theory view. Processes of further divergence take place between the two economic systems and between the social systems. Accordingly, no new economic laws can emerge.

The previously quoted study group of GDR scientists, to whom the author belonged likewise, observes the following on the complicated problems of production conditions and economic laws (4). In trade between systems and other forms of economic relations, there derived production relations and conditions which are marked by the contradictory basic type of socialist and capitalist production conditions. "These conditions are in themselves contradictory; they rest on a basis of compromise and they represent that sphere in which the economic laws of different social formations, which by their very essence are contrary, are in a complicated reciprocal relationship" (5). In contrast to the production conditions existing within the two international systems and the basic type of specific laws determining the particular reproduction process, there are, in economic relations between systems, only contradictory market and production relationships and we witness a clash between the economic laws of socialism and of capitalism.

For the economic units which appear as contracting parties (socialist foreign trade enterprises or capitalist firms) the production conditions, corresponding to the particular type of property ownership, and the requirements of the economic laws arising from them, remain decisive also in trade and economic as well as technical-scientific relations between systems.

Although economic collaboration with the socialist states does not bring about a change in the essence of the economic laws of capitalism, certain modifications in their action do however occur. This can certainly produce direct effects on individual phenomenon under capitalism, at any rate, in a temporary and partial fashion and, in case of more developed cooperation, also in long-range terms. For example, the fateful action of the crisis on segments of the workers can be mitigated through agreements with socialist states. As we know, Soviet orders going to German concerns already during the time of the international economic depression at the beginning of the thirties, saved thousands of German workers from unemployment. During the most recent economic crisis, orders from socialist countries likewise made it possible to preserve or newly create jobs in numerous capitalist countries. The fighting and living conditions of the working class under imperialism-- which are anyway already being influenced positively by the existence of socialism--therefore can improve under the conditions of progressing political and military detente and in connection with stepped-up economic cooperation.

It turns out that the particularly destructive effect of capitalist laws is partly and temporarily reduced for those countries which maintain close relations with the socialist countries on a large scale. The competitive capability of capitalist enterprises or states in such a case is improved as compared to other monopolies or states which do not have a developed trade with the socialist countries. That emerged, for example, for many years in the attitude of significant segments of the monopoly bourgeoisie in France as compared to other western states. Recently, this has been reflected especially in the appearance of a large number of West German concerns in opposition to their capitalist competitors. This circumstance in turn persuaded the United States government and influential monopoly groups to try to step up trade and cooperation with socialist states although such efforts are constantly obstructed by pronouncedly reactionary circles.

In spite of a modifying influence on the action and conditions of laws existing under capitalism through collaboration with socialism, the contradictions of capitalism, above all, its fundamental contradiction, remain preserved. Moreover it is possible for the socialist states to exploit the increasingly serious differences existing between the capitalist states to the benefit of the international revolutionary process. Under the influence of economic relations between socialist and capitalist countries, there is to some extent even an in-depth development of opposing competitive positions and other contradictions between the imperialist states in the struggle to win orders.

Finally there are other circumstances which establish limitations on economic collaboration between countries of both systems. They result exclusively from the essence of capitalism itself. As we know, capitalism's fundamental contradiction prevents the complete and most effective development of the production forces not only in the individual capitalist countries but also in international economic relations. The laws of capitalism, its cyclical and spontaneous development, are at work so long as capitalism exists. Accord-

ingly, such elements are also introduced into economic relations with socialist countries, as can be felt in the effects of the capitalist currency crisis and inflation as well as the trade war between the capitalist economic groupings. They demand careful reaction on the part of the foreign trade agencies in the socialist countries because highly contradictory influence on economic relations between states with different economic and social systems springs precisely from these crisis processes. On the one hand, the demand, which keeps dropping on western markets along with the crisis, and the increasingly acute conflict between production and market under capitalism, stimulate the interest of influential business circles in economic relations with the socialist countries. That has been confirmed also by most recent developments. Thus, general business activities with the countries of the CEMA, especially exports, in 1973, 1974, and also 1975, reveal rising tendencies. Representatives of the labor unions and of governments here point not only to the "economy-stabilizing role" and to the social aspect of these relations. After all, big orders from socialist countries counteract mass unemployment, at least in some countries and in some industry branches.

Structural problems of the capitalist economy likewise have stimulating effects in terms of the motives of capitalist entrepreneurs to expand economic relations. Here we are referring not only to the problem of raw materials and energy (with regard to procurements) but also to machine-building, the capital goods industry, and other branches (for deliveries).

On the other hand, one must also pay attention to the negative tendencies for trade between socialist and capitalist countries which spring from the fluctuations and crises of the capitalist economy. Here the emphasis is on the major fluctuations in the demand on the capitalist markets, in general, and the disproportion between exports and imports as well as their structures, in particular. This furthermore negatively influences the historically developed unsatisfactory structure of commodity exchange (in the relationship between raw material and finished product).

Additional and by no means only temporary problems, which act on economic relations between states in the two systems, are the uncertainties springing from inflationary processes and weak currency conditions as well as the tendencies toward protectionism which are connected with stepped-up competition, the use of old and new discriminatory measures and resistance to the full grant of most-favored nation treatment in trade with the socialist states.

Inhibiting factors however for example also spring from the fact that official economic-policy measures mostly have no effect in dealing with the above mentioned problems and contradictions. Necessary changes in the international capitalist currency system or questions of trade policy are delayed because of the "opinion formation process" in leading circles of capitalist countries, process which sometimes takes months and even years (6).

It is therefore obvious that the changes in foreign trade conditions, such as they have taken shape in recent years, confront the responsible economic

agencies of the socialist states with rising requirements. The ever closer tie-in of the socialist countries within the CEMA however certainly enables the community of socialist states to fend off negative external influence upon the further healthy upward development of the socialist national economies. The limits of partial cooperation and division of labor between the two systems therefore are also determined by the vital interests of the international socialist system which do not permit influence going beyond a certain degree of interdependence arising from division-of-labor commercial connections, and certainly not any influence on the socialist order.

The socialist planned economy, including the government foreign trade monopoly, constitute an essential component of socialism. The west sometimes objects that the socialist planned economy would inhibit east-west economic relations or that centralized planning is responsible for the unsatisfactory structure in reciprocal commodity exchange and that a free-enterprise economy would be better suited (7). For the socialist countries however, their socialist planned economy is not only an advantage, which cannot be replaced with anything, in terms of their own stable, dynamic forward development; but it also proves to be advantageous for the development of economic relations with states of the other socialist system; it is after all it which provides government guarantees for the implementation of agreements entered into between east and west.

Planning within the framework of the CEMA likewise is not an obstacle to cooperation with capitalist countries; instead, it is an instrument for the further development of the national economies of the socialist states which as a result become ever better partners of the western industrial countries. This is a decisive prerequisite for the flexible reaction of the socialist states, including the development of mutually acceptable forms of advantageous international collaboration.

Economic relations with capitalism--and this is the immovable point of departure of the policy of the community of socialist states--will lead neither to the elimination of the socialist foreign trade monopoly, nor to the undermining of the socialist planned economy or perhaps even of the socialist social system, as some imperialist politicians would wish. The representatives of imperialist states and capitalist enterprises would be well advised to come to terms with the fact of the government, socialist foreign trade monopoly, if economic relations are to thrive.

The west is still trying to misuse reciprocal relations as a means of political and economic pressure or political-ideological subversion. That also includes efforts to work toward a transformation of socialism through demands for the introduction of "radical reforms" or "decentralized planning" (8) under the pretext of allegedly making things easier for east-west trade. Such concepts contradict the principles of peaceful coexistence, especially the spirit and the letter of the final act of Helsinki where, as we know, it says: "The participating states will respect the right of every other participating state freely to select and develop its own political, social,

economic, and cultural system, as well as its right to determine its own laws and regulations" (9).

The group of GDR scientists furthermore observes the following on this in its theses: In addition to the demands for a "free flow of information, people and commodities," conditions are partly established, calling for "concessions from the east," for the "multilateral development, convertibility, and opening of markets in commercial and payment transactions," which, in point of fact, boil down to the liquidation or undermining of the socialist foreign trade and foreign exchange monopoly in the CEMA countries. A state's sovereignty in selecting its social-economic system, its government regulations, and its foreign and trade policy cannot be touched under international law and, on the basis of equality, is the prerequisite for economic relations between systems.

The socialist countries establish no prior conditions for the elimination of the capitalist profit system, the system of state-monopoly regulation or capitalist integration processes, because that would be contrary to the realities and objective possibilities. Likewise, one cannot allow any prior conditions with regard to the shaping of the system of socialist planned economy, the foreign trade and foreign exchange relations or socialist economic integration within the framework of the CEMA on the part of the capitalist industrial countries. This is why coordination of foreign policy for the preservation and application of the foreign trade and foreign exchange monopoly of the socialist states and their advance in the field of commercial and economic relations with capitalist industrial countries, as provided for in the complex program, is absolutely required. In negotiations between the socialist states and the capitalist industrial countries, the issue therefore revolves around equal treatment of partners, primarily on the basis of the application of the general, unconditional implementation of the most-favored nation provision, the common determination of such measures, which facilitate and promote mutual economic transactions, and not the general application of methods and instruments of the capitalist economic system.

Representatives of the convergence theory in capitalist countries entertain utterly unrealistic ideas if they sometimes advocate the view today that economic collaboration could in the end lead to an "approach" among integration groupings. They are wrong when they describe integration as an "expansive" process because that supposedly leads not only into "depth" but also "breadth" (the spatial extent of the sphere of integration and the inclusion of new countries into this process, including countries with different systems). Due to the differing character of the systems, there is no "common" social-economic foundation for integration also as a result of progressing division-of-labor processes (10).

The socialist countries cannot and will not permit any attempts aimed at infiltrating elements of capitalism into their social system, including their integration system, nor will they permit any kind of pressure or dangerous influence upon the socialist countries, via the relations of cooperation or through the exploitation of any other forms of collaboration.

## Need of Granting Unconditional Most-Favored Nation Treatment and Elimination of Discrimination

The conditions under which economic relations develop between socialist and capitalist countries, include the strict preservation of so important a principle as the principle of mutual advantage. It calls for the exchange of products at commercially customary conditions and prices which do not put anyone at a disadvantage and which do not discriminate against partners but which put them on an equal footing in the eyes of the law. Its application means that the economic benefit resulting from international division of labor due to the exchange of commodities and services between countries or between trade partners accrues to the participating parties. The practice, which is applied for example especially by multinational concerns, but also by western governments and the trade blocs--the practice of obtaining unilateral economic or other advantages at the expense of the partner through international trade--is incompatible with that.

For the sake of the further development of peaceful coexistence, economic relations must be free of discrimination of any kind and must be in keeping with the principles of mutual advantage and unconditional most-favored nation treatment--a principle which today is still opposed by the political intentions and the political practice of governments of a number of states or influential political circles in the imperialist countries.

This is precisely why the struggle for granting unconditional most-favored nation treatment today is a significant field of the dispute between socialist and capitalist states. The socialist states so far have not managed to get the majority of the capitalist industrial countries, especially the economically strongest ones, to be generally prepared to agree upon the mutual grant of unconditional most-favored nation treatment in reciprocal economic relations. That includes primarily the United States and the countries of the EEC. Individual countries, primarily smaller capitalist countries, which are not members of imperialist military blocs or integration groups, such as, for example, Finland, Austria, etc., on the other hand already grant most-favored nation treatment to individual CEMA countries. Numerous capitalist states assert of course quite falsely that they are granting most-favored nation treatment to the socialist countries. In so doing they refer to the so-called GATT clause which allows the members of that agreement to claim customs duty advantages, which they obtain from their membership in economic groupings, and to exclude countries not belonging to the grouping from the enjoyment of these advantages.

Behind the rejecting attitude of a considerable number of capitalist states, there are hidden last but not least those forces which, through their economic policy measures, want to create obstacles toward further detente and further normalization of relations. That includes, for example, America's refusal to grant the Soviet Union and most of the CEMA states most-favored nation treatment although this had been granted to about 130 other countries for a long time. The EEC states likewise at the CSCE rejected a multilateral pledge to

grant most-favored nation status. But, under the influence of the arguments of the socialist states, they had to recognize that most-favored nation status promotes trade. Like the other states, it says in the final act of Helsinki, they "recognize the advantageous effects which can result from the application of most-favored nation status with regard to the development of trade" (11). In practice however they act contrary to the generally observed positive effects.

In the formulation of most-favored nation status one must start with the idea that the contracting parties grant each other on their particular territory--in dealing with the other partner or his citizens and corporations--within a certain area of application, the same rights, advantages, privileges, and benefits for which they grant or in the future will grant any third state, in other words, the most-favored state or its citizens and corporations. Most-favored nation treatment thus is a form of expression of equal treatment for all trade partners. It relates above all to customs duty, the award of licenses, fees and taxes for imports and exports, the application of the most varied legal regulations and reimbursement for services rendered (harbor fees, use of facilities, etc.).

Regarding the effect of most-favored nation status, K. Becher and H. Prokein therefore observe quite correctly: "Here the important thing is not the fact that the trade partners grant each other the same benefits but that they allow each other, on their particular territories, the same benefits as they grant other trade partners. In this way, one can accommodate the peculiarities of the various social systems by means of most-favored nation status. On the territory of each trade partner, who belongs to a different social system, is made equal under the law to the other trade partners by means of most-favored nation treatment" (12).

The grant of most-favored nation status therefore, due to the different systems, can contain only that which is adequate for the character of the particular system. It is therefore completely nonsensical when western trade partners demand the abolition of socialist principles in the foreign trade of the socialist states, just as the socialist partners do not expect their western partners to abolish capitalism and the free-enterprise system and to introduce the socialist planned economy for the sake of mutually advantageous commerce.

V.I. Lenin's observation is still valid to the effect that the important thing is "to expand trade and to create conditions under which it can develop most widely and most successfully" (13). Refusal of unconditional most-favored nation status--which the capitalist states used to screen their markets and which, in the case of the EEC countries has the additional purpose of depriving third countries of the advantages which the member countries grant each other in the course of the integration process--hinders international economic relations and reduces the possibilities of mutually selling products to the greatest possible extent.

The demand, addressed to the capitalist countries, to grant the socialist states unrestricted most-favored nation status, is most closely tied to the struggle of the CEMA countries to reduce discrimination in western countries. The program of the 25th congress of the CPSU for the further struggle for peace and international collaboration, for freedom and independence of peoples, among other things, demands the priority accomplishment of the following task which is now ready for solution: "...to advocate the abolition of discrimination and any artificial obstacles in international trade, the liquidation of all phenomena of inequality, dictation, and exploitation in international economic relations" (14).

At this time there is, especially in the EEC countries, but also in the United States, still an entire system of trade obstacles, discrimination, etc., which obstructs the establishment of equal relations on a long-term and stable foundation. To be sure, certain discriminatory measures have in the meantime been rescinded or reduced. Nevertheless, the system of discrimination, as part of imperialist strategy against socialism, is still of great significance and is a disturbing factor of the first order for the normalization of international economic relations. New forms of discrimination have even been introduced in recent years.

In making their demands for the reduction of discrimination, the socialist states are in full agreement with the demands of the majority in the UN and its representative organizations. Thus, the 1964 UNCTAD conference, in the "Principles Of International Trade Relations And A Trade Policy Serving Growth," condemned "the discriminatory trade policy of the developed capitalist countries." The second UNCTAD conference in 1968 and the third one in 1972 adopted recommendations aimed at the elimination of economic, administrative, and trade-policy obstacles in the further development of east-west trade (see resolutions 15/II and 53/III).

The charter of the economic rights and duties of the states characterizes their goal as being the establishment of economic relations on the basis of sovereign equality, mutual advantage, and collaboration among states, specifically, independently of differences in their social systems. It is pointed out that no state may be discriminated against in any way whatsoever because of such differences and that international commerce is to be shaped on the basis of mutual advantage and reciprocal most-favored nation treatment (see Chapter II articles 4 and 26). But the practice of the capitalist countries does not always correspond to that. Their discriminatory policy for example encompasses the following areas (15).

The NATO states and Japan still restrict the list of commodities, which the socialist states may buy from them, through embargo regulations--although to a meanwhile reduced extent--under the pretext that the delivery of "strategic commodities" could result in one sided advantages for the socialist countries. Control over implementation was assigned to COCOM, a NATO agency, which still exists in Paris. Under the influence of growing sales difficulties, the volume of the embargo list in the meantime has been cut back several times,

earlier mostly upon the initiative of western European countries and Japan (1954, 1968) and later on also on American initiative (1972, 1975). Under the pressure of events, a certain realism has developed among ruling circles in western Europe and the United States which however does not yet have its full effect. A number of electronic and electrotechnical products, for example, certain types of EDP systems, however is still banned. The import interests of the CEMS countries therefore are still being obstructed.

There are still quantitative restrictions on imports from socialist countries to western European countries. They were introduced after 1945 in numerous countries because they did not have enough gold or reserves of freely convertible currency. But while the western European states mutually reduced their import quotas in the course of time, they retained this foreign trade instrument as a weapon against imports from socialist countries at least in essential parts; this means that there is special discrimination against deliveries (see table II, published by Soviet scientist I. Zabelnikov). Smaller capitalist countries, such as Finland, Austria, Switzerland, and others in the meantime have abolished all or most discriminatory provisions. The corresponding treaties were signed during the first half of the seventies and some agreements were signed already after 1960.

Table 3. Abolition of Quantitative Restrictions On Imports By Western European Countries From OECD and CEMA Member Countries (1)

	4) gegenüber den europäischen Mitgliedsländern der OECD				5) gegenüber den Mitgliedsländern des RGW			
	6) Positionen, bei denen mengenmäßige Beschränkungen aufgehoben sind							
	7) Anzahl		8) v. H. zu Positionen insges.		7) Anzahl		8) v. H. zu Positionen insges.	
	1969	1973	1969	1973	1969	1973	1969	1973
9) BRD	7650	7900	94	95	5176 <sup>2</sup>	6600	63 <sup>2</sup>	80
10) Großbritannien	1080	1089	98	99	862 <sup>3</sup>	1009	79 <sup>3</sup>	92
11) Frankreich	977	987	89	90	901 <sup>3</sup>	.	82	.
12) Italien	1040	1050	95	96	936	.	85	.
13) Schweden	1088	1087	99	99	989 <sup>3</sup>	988 <sup>3</sup>	90 <sup>3</sup>	90 <sup>3</sup>
14) Finnland	1045	1042	95	95	968	965	88	88
15) Norwegen	1015	1014	92	92	1002 <sup>3</sup>	1001	91 <sup>3</sup>	91

<sup>1</sup> Bei der BRD handelt es sich um Positionen der Außenhandelsstatistik, bei den übrigen Ländern um Positionen der Zollstatistik. --<sup>2</sup> Angaben für die UdSSR sind erst seit Anfang 1973 einbezogen. --<sup>3</sup> Ohne DDR.

Legend: 1--In the case of the FRG, this involves foreign trade statistics items where in the case of the other countries there are customs statistics items; 2--Data for the USSR were included only as of the beginning of 1973; 3--Excluding the GDR; 4--Toward the European member countries of OECD; 5--Toward the CEMA member countries; 6--Items where quantitative restrictions were lifted; 7--Number; 8--Percent with respect to items, total; 9--FRG; 10--Great Britain; 11--France; 12--Italy; 13--Sweden; 14--Finland; 15--Norway. source: ECONOMIC BULLETIN FOR EUROPE, New York, 1974, p 57 (quoted from I. Zabelnikov, "Necessary Prerequisites for International Commerce," *Mirovaya ekonomika i meshdunarodnyye otnosheniya*, Moscow, 5, 1976, p 108 f.).

From circles in capitalist countries one can hear again and again that they have already considerably accommodated the socialist states; but that is not so. Particularly those products are subject to specific import restrictions where the socialist states have a good export basis and which they could sell capitalist countries in larger quantities. That applies above all to textile products, wood-working industry products, and machine-building industry products. For example, 25 percent of GDR exports to the FRG are based on quotas. Through this import restriction practice, the western states are contradicting the words of their own heads of government who, in the final act of the CSCE, signed a statement to the effect that the participating states "will try to reduce or gradually eliminate obstacles of any kind which hinder the development of commerce" (16).

The customs duty systems in some capitalist states have a similarly restrictive effect on trade with socialist countries. A characteristic case is represented here by the United States who subjects deliveries of certain items from the CEMA member countries to a 3-4-times customs tariff than goods from countries who do enjoy most-favored nation status.

Discrimination by the EEC is a special problem. It extensively cuts the socialist states out of the historically developing division of labor with western Europe (17).

In first place in this context we must mention the customs regulations of the EEC which violate the principle of unrestricted most-favored nation treatment. As we know, the EEC countries in trade with industrial commodities among each other generally apply not only no quantitative restrictions whatsoever but also no customs duties, whereas they do collect customs duties based on a common tariff in dealing with third countries. (Special regulations for dealing with third countries were spelled out in various association treaties or free-trade agreements with the EEC.) Through their common foreign-trade customs tariff, which grants them customs duty exemption in trade within the EEC, the EEC states eliminate from most-favored nation status those advantages which they grant each other through their integration mechanism. Thus, customs duty discrimination applicable to the socialist countries in trade with the EEC states averages 9 percent in connection with the delivery of semifinished goods and finished products in accordance with the January, 1972 regulation. In finished products, the customs tariff is even higher. EEC customs duties for socialist countries, for example, regarding the import of machines and apparatus, come to as much as 14 percent and, in the case of consumer goods, to 12.5-16 percent. In other words, the more favorable the commodity structure of exports to the EEC countries happens to be for a particular socialist country, the greater is the discrimination resulting from EEC customs tariffs. That makes the unfavorable trade structure even worse for the socialist countries (see section 4 in this chapter).

Agricultural protectionism in the EEC is another source of discrimination against the socialist countries. EEC agricultural market regulations state, in effect, that essential foods, delivered from socialist countries and many

other third countries into the EEC area, are to be subjected to a so-called equalization tax (18). During the early seventies, this equalization tax amounted to customs-duty-like burden of about 35 percent. In the delivery of farm products to the countries of the "Common Market," it is not only the considerable absolute level of the equalization tax which has a particularly negative effect on third countries but also the fact that this tax is changed each year. Up to 80 percent of the farm exports of some CEMA countries are subjected to discriminatory treatment under EEC agricultural market regulations.

Finally we must point up areas of discrimination resulting from the EEC's so-called free-trade preferential regulations with a growing number of countries. The EEC has entered into agreements with most smaller countries of western Europe but also with other countries according to which special regulations are to apply on matters of customs duties and they are below the customs tariffs applicable to third countries. For example, machine tools which are delivered from West Germany to Austria are subjected to a customs duty which, on the average, is 8 percent less than machine tools which are delivered Austria from the GDR.

Through the so-called preferential regulations, the EEC tries to tie especially the small and medium countries of Europe more to itself and at the same time relatively to loosen the links with the CEMA countries. As a result of EEC economic policy, the considerable difference in the customs duties on commodities imported from the EEC member states and from the CEMA area has a negative effect. Shipments from Europe's small countries to the socialist countries could not increase as quickly as those going to the EEC states. The procurement of Europe's smaller countries likewise did not develop as fast from socialist states as from the EEC states. This development could not possibly be advantageous to the small countries because they undertake considerable one sided commitments to the EEC. Finland's foreign trade after signing the free-trade agreement with the EEC is characteristic of this situation.

It was only the signing of agreements on the mutual elimination of customs duties and other trade obstacles--agreements which Finland entered into in 1974 and 1975 with some socialist countries (Bulgaria, the GDR, Hungary, and the CSSR)--which created equal conditions for the latter and for the EEC member countries. Positive effects emerged already in 1975. While Finnish exports to the EEC countries stagnated or declined, exports to the CEMA countries rose by about 45 percent.

Exchange in the scientific-technological field and in economic cooperation--such as it is becoming increasingly urgent in view of the requirements of the scientific-technological revolution--is not free of restrictions either. Responsible officials of the ECE repeatedly expressed the intention of extending trade discrimination also to these fields.

The resolution on the "common trade policy" of the EEC represents a new step in the efforts of the EEC to force the CEMA countries to accept an unequal position. On its basis, the EEC states effectively 1 January 1975 wanted to push through a provision according to which trade agreements may no longer be signed between the individual EEC member states and the CEMA states; instead, only the ECE in Brussels was to act as the contracting partner for the individual CEMA countries. The ECE was to sign trade treaties in the name of the economic groupings for the entire EEC area. These EEC resolutions are based on the intention of confronting the individual CEMA countries with a compact bloc of the EEC, to differentiate among them for the purpose of dividing them. It is clear that the CEMA states will not subject themselves to this kind of discrimination; the regulation adopted by the EEC is not being accepted. Thereupon the EEC found itself forced to suspend the application of its concept for the time being by means of a "transition regulation."

A continuation of a policy interfering with world trade would be very disadvantageous particularly in terms of the expansion and intensification of economic relations between the countries of the two economic groupings. To resolve this unsatisfactory condition, the CEMA in the meantime submitted to the EEC a treaty to regulate mutual relations on the basis of equal rights (see chapter IV, paragraph 1).

Another essential form of discrimination not connected with customs tariffs in many cases results from import procedures but sometimes also from licensing procedures used by the capitalist states. The idea here is to implement quantitative restrictions. But this is also an independent administrative measure which inhibits trade because of the long-drawn-out red tape involved; competitive advantages are granted to those suppliers who are not subject to the licensing procedure. This method is being used particularly restrictively in France, Great Britain (for textiles), and in Italy (presently for 99 items).

Other disturbing factors consist of the difficulty in the issue of entry visas for experts as well as assembly and service personnel, the long-drawn-out issue of work permits for personnel in mixed companies, etc. We must furthermore point up problems which arise in connection with the determination of the customs value of commodities from CEMA countries, the application of so-called anti-dumping customs duties, etc. Additional obstacles result finally from other administrative measures which are being applied above all in cases of negative trade or payments balances. That includes customs duty surcharges, import restrictions, import deposits, etc. These measures as a rule are directed against finished goods and agricultural products.

This system of discrimination--which must be considered a part of imperialist strategy against the CEMA countries--is the main cause of a number of problems in economic relations between socialist and capitalist states. The continuation of this kind of discrimination represents a serious obstacle to the further development of economic relations. As we stressed before, it conflicts with the spirit and the letter of the final act of Helsinki.

Obstacles, which have been set up by the western side in trade with the socialist countries, for example, lead to situations where the commodity structure in commerce between socialist and capitalist countries still turns out to be unsatisfactory as far as socialism is concerned (see the following section of this chapter). As a result of this development, there have been further inequalities in the balancing of reciprocal trade transactions to the detriment of the socialist countries; they considerably distort the balance sheets of a number of those countries in trade with western countries and they have begun to be a burden on the in itself normal credit business.

#### On Questions of Reciprocal Commodity Structure

The CEMA member countries are not only trying to increase trade with the capitalist industrial states and exports, as such, to a considerable degree. At the same time they are trying to sell primarily industrial finished products there and, in this case, again, mostly machinery and equipment. They start with the idea that the latter represent an extremely dynamic element in foreign trade and that it is especially the exchange of capital goods which increases in the course of the in-depth development of international division of labor.

This tendency emerges in several sectors of the international economy. It is expressed in the foreign trade of the CEMA member countries among each other and in trade of the capitalist countries and--something to be especially underscored here--in the exports of those countries going to the CEMA member countries. This tendency however is generally not as clearly recognizable in exports from CEMA countries to the capitalist industrial countries and certainly not at all to the extent that this relates to shipments of machines and systems. One must even observe that the development of exports in these commodity categories just about contradicts the tendencies of international division of labor. We get the following picture as we look at foreign trade between the OECD states and the CEMA states in terms of the commodity structure.

The share of commodity group 7 (machines and transportation equipment) out of the total OECD exports (19) to the CEMA states changed from about 26 percent in 1965 to about 32 percent in 1970 and to about 29 percent in 1974. On the other hand, the proportional share of exports of essential foods, beverages, industrial raw materials, and fuels (commodity groups 0-4) dropped from 31 percent in 1965 to about 18 percent in 1970 and rose only slightly to about 20 percent in 1974. In other words, while about 30 percent of exports consist of machines and vehicles, the share of shipments in commodity groups 0-4 went down by 1/3 (see table 4).

This development is even crasser if we compare the structure of EEC foreign trade to that of the CEMA states. Thus the EEC states in commodity group 7 exported a share of about 5 percent in 1965, about 32 percent in 1970, and about 29 percent in 1974. On the other hand, exports of essential foods,

Table 4. Development and Structure (1) of Exports and Imports of OECD States, Million of U.S. Dollars

4) Waren- gruppe <sup>2</sup>	1965		1970		1971		1972		1973		1974	
	Welt insg.	RGW <sup>3</sup>	Welt insg.	RGW	Welt insg.	RGW	Welt insg.	RGW	Welt insg.	RGW	Welt insg.	RGW
7) Insgesamt	119 990	3 477	214 746	6 955	240 016	7 522	284 000	10 108	387 090	14 288	478 986	19 666
0	13 270	684	18 327	582	20 498	714	25 462	1 411	39 341	2 423	38 711	2 187
1	2 054	60	3 160	59	3 594	53	4 497	72	5 604	73	5 489	99
2	10 170	254	15 945	463	15 959	445	18 571	597	27 689	848	33 056	1 353
3	4 171	13	7 240	86	8 362	66	9 670	87	13 651	114	20 009	228
4	867	56	1 210	44	1 526	32	1 348	28	2 101	45	3 326	99
5	10 400	401	19 073	765	21 086	866	25 010	1 038	34 836	1 382	49 075	2 388
6	28 534	600	49 238	2 574	52 895	1 090	61 231	2 339	84 568	3 632	104 132	6 084
7	38 631	914	77 890	2 218	90 309	2 299	107 187	3 111	140 103	4 415	173 159	5 574
8	9 780	102	19 354	376	22 131	400	21 117	472	34 599	592	42 150	775
9	2 113	26	3 307	33	3 655	28	4 012	41	4 830	63	6 690	109
Import												
7) Insgesamt	124 948	3 583	221 437	6 594	246 380	7 395	294 043	8 704	403 298	12 471	525 448	15 462
0	20 545	724	28 604	990	31 146	1 051	37 141	1 292	51 574	1 704	55 610	1 575
1	2 176	31	3 063	42	3 365	45	4 142	51	5 505	73	5 263	77
2	19 586	893	27 534	1 293	26 985	1 288	30 754	1 457	45 713	2 217	54 775	2 881
3	13 576	649	23 057	1 230	29 041	1 532	33 230	1 625	48 398	2 346	108 447	4 745
4	1 116	47	1 531	90	1 762	107	1 741	110	2 547	127	4 101	268
5	7 365	171	14 712	323	16 143	361	19 497	409	26 897	559	36 594	884
6	25 590	720	45 639	1 223	47 312	1 236	56 807	1 566	78 314	2 377	94 012	2 811
7	23 691	180	55 005	456	64 313	584	77 968	721	101 792	1 055	115 587	1 001
8	8 396	155	18 753	351	21 771	477	28 616	665	38 018	924	40 380	1 071
9	2 591	18	2 995	52	3 876	47	4 089	72	4 499	94	4 670	82

<sup>1</sup> Strukturauflöserung ohne Handel DDR - BRD. - <sup>2</sup> Verzeichnis der SITC-Warengruppen s. Quellenverzeichnis, Kapitel II, Nr. 19. - <sup>3</sup> Jeweils euro-päische RGW-Staaten (ohne Albanien).

Legend: 1--Structural breakdown, excluding trade between GDR and FRG; 2--List of SITC commodity groups, see bibliography, chapter II, item 19; 3--In each case, European CEMA states (excluding Albania); 4--Commodity group (2); 5--World total; 6--CEMA (3); 7--Total. Calculated by IPW according to STATISTICAL BULLETINS FOR FOREIGN TRADE, published by OECD, Series B, Paris current.

beverages, industrial raw materials and fuels (commodity groups 0-4) developed as follows: 1965=10.7 percent, 1970=9.7 percent, 1973=12 percent, 1974=17.2 percent. A considerably rising export volume of machines and equipment, amounting to just about 1/3 of the export volume in terms of value, is thus counterbalanced by a share of commodity groups 0-4 amounting to only about 17 percent, whereby one must also keep in mind that the share of raw materials, in terms of value, seems rather excessive due to inflation as of the end of 1973 (table 5).

Exports of CEMA countries to capitalist industrial states on the other hand are structured in a completely opposite fashion. The CEMA countries exported to the OECD countries a share of machines and vehicles (commodity group 7) amounting to about 5 percent in 1965, about 6.9 percent in 1970, and about 6.5 percent in 1974. The share of deliveries in commodity groups 0-4 developed from 46 percent in 1965 to about 55 percent in 1970 and about 62 percent in 1974. Here, exports of machines and vehicles amounting to only 6.5 percent are contrasted by an export share in commodity group 0-4 amounting to more than 6.0 percent (table 4).

The CEMA states exported to the EEC states machines and vehicles (commodity group 7) with a share, out of the total exports going to those countries, amounting to about 4.3 percent in 1965, about 5.6 percent in 1970, and about 6.4 percent in 1974. The share of deliveries of products in commodity category 0.4 came to 74 percent in 1965, 53 percent in 1970, 50 percent in 1973, and about 6.0 percent in 1974. The declining share of these commodity groups, until 1973, is explained by the situation on the raw material markets. In other words, a machine and vehicle share of about 6.5 percent is counterbalanced by a share of deliveries in commodity groups 0.4 amounting to about 60 percent (table 5).

The picture shown in the table at a glance emerges from these developments for the year 1974. As we can see from the statistical documents, the CEMA countries did succeed in multiplying their imports of machinery and vehicles as a whole in terms of volume; specifically, those going to the OECD states rose from \$914 million in 1965 to \$2,218 million in 1970 and \$5,574 million in 1974. Their share out of total exports could also be increased during that time but it continues on the whole to be unsatisfactory with a figure of 6.5 percent in 1974.

Share of Various SITC Commodity Groups\* Out of Mutual Exports, 1974, in Percent

	Commodity Group 7	Commodity Groups 0-4
OECD exports to CEMA countries	appr. 30	appr. 20
CEMA exports to OECD countries	appr. 7	appr. 62
EEC exports to CEMA countries	appr. 30	appr. 17
CEMA exports to EEC countries	appr. 7	appr. 60

\*For list of SITC commodity groups, see bibliography, chapter II, item 19.

Table 5. Development and Structure (1) of Exports and Imports of EEC Member Countries, Millions of U.S. Dollars

Waren- gruppe <sup>2</sup>	1965		1970		1971		1972		1973		1974 <sup>4</sup>	
	Welt insg.	RGW <sup>3</sup>	Welt insg.	RGW	Welt insg.	RGW	Welt insg.	RGW	Welt insg.	RGW	Welt insg.	RGW
<i>Export</i>												
Insgesamt	47903	3355	88512	5710	100879	4146	186367	4975	209935	9133	235341	12342
0	4306	163	7548	201	8917	240	11240	368	20052	653	16567	1168
1	575	6	998	8	1247	11	1725	12	3499	30	3153	29
2	2368	180	3354	108	3370	119	4212	145	7742	281	7821	697
3	2210	5	3622	33	4511	46	5133	57	8531	85	9581	164
4	175	4	359	11	482	10	529	7	917	18	1250	63
5	4743	232	9273	413	10496	457	12967	595	22478	987	29475	1542
6	12800	344	21933	857	24025	980	28802	1271	49974	2528	51265	3880
7	15726	161	31403	1183	36278	1282	44614	1801	73464	2977	81798	3523
8	4425	50	9108	179	10563	202	13144	242	20984	381	25085	444
9	573	12	912	23	991	22	1121	32	2293	44	2959	69
<i>Import</i>												
Insgesamt	49306	1570	88976	3313	99737	3870	118801	4654	214808	7823	251012	8248
0	8028	397	11843	575	13312	650	16427	831	30520	1257	29242	1019
1	820	25	1104	29	1254	29	1588	31	3237	45	2693	37
2	7801	410	10672	566	10415	553	12027	656	23022	1261	26880	1467
3	5466	300	9506	525	12279	694	13870	733	24936	1262	41408	2214
4	522	23	807	60	981	84	962	78	1793	95	2753	195
5	2963	69	6468	143	7308	157	8826	187	15703	331	20190	500
6	10209	211	20080	478	20556	522	24763	680	45978	1304	50633	1440
7	8817	69	19847	194	22837	218	27078	272	47308	525	45138	528
8	3100	53	7034	167	8593	267	11134	394	19174	671	20491	740
9	1267	15	1070	33	1536	30	1386	53	2033	71	2221	68

<sup>1</sup> Strukturaufgliederung ohne Handel DDR-BRD. - <sup>2</sup> Verzeichnis der SITC-Warenguppen s. Quellenverzeichnis, Kapitel II, Nr. 19. - <sup>3</sup> Jeweils europäische RGW-Staaten (ohne Albanien). - <sup>4</sup> EWG ohne Niederlande und Irland.

Legend: 1--Structural breakdown, excluding trade between GDR and FRG; 2--List of SIPC commodity groups, see bibliography, chapter II, item 19; 3--In each case, European CEMA states (excluding Albania; 4--EEC excluding the Netherlands and Ireland; 5--Commodity group (2); 6--World, total; 7--CEMA (3); 8--Total. Calculated by IPW according to STATISTICAL BULLETINS FOR FOREIGN TRADE, published by OECD, series B, Paris, current.

Machine exports to the EEC states rose from \$69 million in 1965 via \$194 million in 1970 to \$528 million in 1974. In spite of the increase, the share turned out to be relatively small with only about 6.5 percent out of the total exports going to that economic region. From that we can deduce above all three essential observations.

First of all, this structure contradicts the much higher industrialization degree in the CEMA countries and the considerably more favorable foreign trade structure of the CEMA countries among each other.

Second, the strategies of the capitalist countries, particularly the EEC countries and the United States, with their countless discriminatory measures, are having an inhibiting effect on the improvement of the commodity structure in foreign trade relations between socialist and capitalist countries. A radical improvement in the structure thus obviously can be expected only whenever the capitalist states further reduce or altogether eliminate their discriminatory practices and grant unrestricted most-favored nation status to the socialist countries.

Third, stepped-up efforts are required on the part of the socialist countries in order to gear production, especially in the sector of machine-building, the production of equipment and systems, but also the manufacture of all products of the processing industry, even more intensively toward the requirements of the world market in order thus to attain further structural improvements.

Table 6. Commodity Structure in Trade Between CEMA (1) and OECD Countries Shares out of the particular total exports or imports, in percent.

	4) SITC-Warengruppen <sup>1</sup>		6) Einfuhr der OECD-Staaten aus RGW-Staaten	
	0-4	5-8	0-4	5-8
1961	23,7	75,3	70,4	38,0
1965	32,7	67,3	64,3	33,7
1970	17,8	82,2	39,6	38,9
1975 <sup>2</sup>	18,0	82,0	64,0	35,0

<sup>1</sup> Ohne Handel DDR-BRD. - <sup>2</sup> Verzeichnis der SITC-Warengruppen s. Quellenverzeichnis. Kapitel II, Nr. 19. - <sup>3</sup> 1. Halbjahr.

Legend: 1--Excluding trade between GDR and FRG; 2--List of SITC commodity groups, see bibliography, chapter II, item 19; 3--First half; 4--SITC commodity groups (2); 5--OECD country exports to CEMA states; 6--OECD country imports from CEMA states. Calculations by ECE secretariat based on OECD foreign trade statistics.

These observations also generally apply to commodity transactions between east and west, if we include all industrial products, for example, consumer goods and other industrial products. Here again, the commodity structure of CEMA countries in trade with OECD countries, respectively, the EEC member countries, is unfavorable. But we can say that it is by far not as negative as in case of a comparison merely with machine-building products. According to another, especially more recent calculation (including the first half of 1975), which the OECD prepared, we get the picture which we can see in table 6. Accordingly, the share of products in commodity groups 0-4 out of the exports of the western industrial countries (OECD) dropped from 32.7 percent in 1965 to 18 percent in 1975 whereas during the same interval of time, shipments in commodity groups 5-8 grew from 67.3 percent to 82 percent.

The import situation reveals a different tendency. While purchases in commodity groups 0-4 changed little percentage wise, but were always very high, it was possible slightly to raise the share of purchases in commodity groups 5-8 from 33.7 to 36 percent. Here, the efforts of the CEMA states--which were not yet as successful in machine-building and in the case of vehicles--emerge more clearly in the form of positive results. Nevertheless we must once again underscore the following: Although this gradual improvement in the commodity structure must be considered very important also in the development of the east-west trade relations profile, it nevertheless does at the same time show that, especially for the above mentioned reasons, it by far does not correspond to the kind of improvement that would be commensurate to a commodity exchange among industrial countries.

The communist and worker parties of the CEMA countries are orienting us toward achieving an improvement in the structure of foreign trade in addition to raising its effectiveness. Here, those CEMA countries which, on the basis of their natural resources are in a position to export a larger volume of raw materials, do realize that raw material exports could be sold extraordinarily advantageously on western markets particularly at this time. Here we are not losing sight of the main concern of selling more finished goods and especially machines and systems. L.I. Brezhnev had this to say on this point at the 25th congress of the CPSU: "Calculations show that various types of raw materials will continue to remain an important export item for us in the future. It is therefore all the more important to increase the share of the particularly advantageous raw materials and to guarantee the more intensive processing of raw materials that are to be sold. At the same time, we must considerably increase the share of products from the processing industry in our exports. For this purpose it is important to expand the output of commodities which are in demand on the foreign market and to enhance their competitive capacity. As far as import policy is concerned, it must be oriented even more toward the accomplishment of the primary economic tasks, the increase in the efficiency of the economy" (20).

#### Uneven Developments in Trade Balances

There has been a more or less deficitary development in the trade balances with the capitalist industrial states for all of the CEMA countries pri-

marily due to the policy of the western industrial states and considering the circumstance that the socialist countries have not yet managed to sell the products of their own industry on the western markets to a sufficient degree. The capitalist industrial states, as we said before, to some extent screened their markets against products from the socialist countries. This is undoubtedly one of the reasons why the rather considerable increase in east-west trade at the end of the sixties and primarily the beginning of the seventies did not continue after 1975. This uneven development is partly to be blamed also on the stepped-up investment activities of most socialist countries.

At the same time it must however be kept in mind that, due to a number of international economic processes, which in the final analysis were caused by the crisis in the international capitalist economy, the terms of trade--that is to say, the relations between the prices, at which one imports, and the prices at which one exports--had varying effects on the individual CEMA countries. While the raw material exporters among the socialist countries were able to achieve an improvement in their terms of trade, the situation was the exact opposite in recent years for the other CEMA countries. Naturally, the CEMA countries were and are trying to counteract a deterioration in the terms of trade through goal-oriented commercial activities. Erich Honecker repeatedly pointed out that everything must be done in order to keep the effects of the capitalist economic crisis away from the socialist national economy and that the capitalist countries must not succeed in shifting the consequences of the crisis to socialism. Objective effects of the capitalist crisis, primarily of an inflationary nature, however can be detected in socialist countries.

In 1975 and 1976, there were certain modifications in the trade-policy considerations of a series of CEMA countries; they increased their imports from capitalist industrial countries no longer to the previously customary extent. The CEMA countries involved made it clear that their purchases from the capitalist industrial countries would go up only to the extent that they themselves could sell products in western countries. But that means that the latter must open their markets wider to products from socialist countries. The reduction in the imbalance in east-west trade will remain an essential problem for the seventies. "This reversal of the tendency in the development of east-west trade must be considered in judging the indebtedness of the CEMA countries with the west," it says in a weekly report by the German Institute of Economic Research in West Berlin (21). Nevertheless, the socialist countries have no intention of cutting back east-west trade.

Scientific institutes in capitalist countries assume that the CEMA countries will considerably step up their shipments to the OECD area already in 1980. In the above mentioned DIW [German Economic Research Institute] report, it says further: "If one assumes that exports during the current five-year period will continue to rise faster than output and if we figure on a plausible price rise rate, then the CEMA states can increase their exports to the west by 1980 nominally by 80 percent. In this export increase, the equalization of CEMA trade balances toward the western industrial countries could probably be achieved only in case of a minimum increase in imports (up 13 percent).

If the slowdown in western imports, which could be observed at the end of 1974, indeed indicates a change in the foreign trade policy of the CEMA states, then this development cannot be ruled out by 1980" (22). The West Berlin DIW concludes the following from this assumption: "Credits will continue to play an important role in the development of east-west trade because the technology transfer from west to east will remain a characteristic feature of that trade. It is in keeping with international usage that this transfer--especially if it takes place in the form of medium or big capital investment transactions--is tied in with credit financing" (23).

The foreign trade deficit, which occurred among the CEMA countries in their commodity exchange with some capitalist industrial states, is sometimes used by certain western sources as an occasion for picturing that as an obstacle or as an immovable limitation for the development of east-west trade. Various publications speak of an allegedly gigantic "indebtedness" of the socialist countries. As Siegfried Wenger described at a conference of the International Association of Economists in Dresden in June 1976, the "Eastern Europe Report" of Business International speaks of the heavy "indebtedness" of the CEMA (24). The American economist F.D. Holtzmann said the following, among other things, with regard to the so-called debt problem: "In view of the hard-currency shortage in all CEMA states, no country is prepared to assume a creditor position in commerce when only about 10-30 percent of the balance are settled in hard currency. The debtors gradually become more reticent and shy away from further deficits" (25).

The imbalance in mutual economic relations undoubtedly is a considerable problem because it limits the absorption capacity of the socialist countries for products from capitalist states. The socialist states cannot endlessly expand their purchases without capitalist markets being opened to the sale of their products. Regardless of that, the discussion, which the bourgeois side has engaged in for quite some years now, constitutes slander of the socialist countries. Important factors are concealed in connection with this discussion or are described one-sidedly in favor of capitalism. This is why the following must be pointed out: Even if one figures on the highest western estimates, then--and Wenger underscores that clearly--the so-called indebtedness of individual CEMA countries in freely convertible currency would amount to a maximum 10-30 percent of their export volume. The so-called debt servicing, that is to say, the share of interest payments and installment payments, would be between 5 and 10 percent (26). The indebtedness of capitalist industrial countries is illustrated by a comparison with statistics in western bank reports (see table below) (27). In the case of the socialist countries--of whom Holtzmann thinks that these are big figures according to western concepts--we are therefore dealing with lower burden quotas than in the case of many capitalist countries.

	1) Großbritannien	2) Italien	3) Dänemark	4) Schweden	5) Norwegen	6) Spanien
7) Anteil äußerer Verpflichtungen am Exportwert per 31. 12. 1975, v. H.	40,4	54,6	60,1	27,9	83,5	114,3
8) Schuldendienstanteil am Jahresexport per 31. 12. 1975, v. H.	13,1	11,6	16,8	7,4	24,1	31,9

Legend: 1--Great Britain; 2--Italy; 3--Denmark; 4--Sweden; 5--Norway; 6--Spain; 7--Share of foreign obligations out of export value as of 31 December 1975 in percent; 8--Debt servicing share out of annual exports as of 31 December 1975 in percent.

In contrast to the capitalist industrial countries, the socialist states moreover have been given hardly any relief in their balance of payments. Western Europe's capitalist countries, which have a heavy liability in their performance balance, in 1975 got about \$42.9 billion and in 1975 they got about \$21.7 billion in foreign exchange influx from the OPEC states, mostly in the form of investments, participation, etc. We may furthermore assume that, in recent years, several hundreds of billions of Petrodollars came to be knocking about on the western European money markets, although this was not seriously considered to be a threat to the capitalist currency system--something which circles of bourgeois scientists, however would like to blame the "debts" of the socialist countries for.

Finally however the issue is that modern commodity transactions are unthinkable without the granting of long-term loans likewise. They are thus a completely normal phenomenon in economic life and they are preferably extended through exporters of capital goods; because that presently still means the capitalist industrial countries, it is also they who grant the most loans. But the socialist states, in connection with plant or system exports, likewise make corresponding credits available and increasingly themselves appear as lenders to nonsocialist states and primarily developing countries, here again likewise on the order of magnitude of many billions of dollars.

Besides, the high output potential of the socialist community, the dynamics of its development, and a no less dynamic foreign trade do guarantee the repayment of these loans. Socialist enterprises have a good reputation as trade partners in capitalist foreign countries. One therefore cannot speak of "indebtedness" because the socialist enterprises always meet their payment obligations. Loans which thus cannot simply be confused with debts therefore in the future will also be an indispensable means for further expanding east-west economic relations.

The attitude of realistically thinking circles in the western business world toward credits in east-west trade was expressed by Otto Wolff von Amerongen who declared that the FRG economy, in business transactions with the social-

ist states, "is not capable of competing without export loans" (28). Credits are an indispensable and essential means in competition for new markets and in securing market shares. Moreover, they help the suppliers in making better use of their capacities. Consequently, credit deals are also in the interest of both sides--otherwise they would not be signed in the end.

A useful way leading to the expansion of economic relations, without any longer-term burden on the balance of payments, is cooperation. Compensation agreements here from the very beginning offer the guarantee that loans will be granted for specific purposes. Here we might mention just a few factors which even famous bourgeois publications cannot deny.

"The long-term natural gas supply contracts, which have been concluded so far, guarantee foreign-exchange revenues in the amount of R25 billion. Cooperation with Japan in coal mining in Yakutiya, after repayment of the amount of \$3 million, will bring earnings of R3 billion. Among the \$10-billion credits obtained from western industrial states in 1974-1975 alone, a large portion was taken up by compensation projects; 50 big plants have on this basis been equipped with shipments from the west. According to Soviet experiences, the loans were amortized relatively quickly. The import foreign-exchange costs could already be paid back from the export earnings of the Shiguli auto plant on the Volga, in which Italy and West Germany collaborated to a great extent. In other, current major projects, such as the Kursk steel mill and the Norilsk Nickel and Copper Refinery, Moscow expects to get high foreign-exchange-earning exports in the future," it says in HANDELSBLATT (29)--not to mention earnings from petroleum shipments.

The year 1976 constitutes evidence of the ability and the good will to reduce import surpluses. The GDR for example was able to develop trade with the FRG in a more balanced fashion during the first 8 months of the year, even though GDR purchases went up. And FRG organs note: "After western industrial and banking circles in recent months discussed the question as to whether the limits of credit had not already been reached in dealing with the Soviet Union, the Kremlin, in trade with West Germany, during the first half of 1976, provided an example of surprising mobility when it comes quickly to reducing high negative balances in the balance of trade. While (west) German exports went up by about six percent, Soviet shipments to West Germany went up by about 50 percent. This means that the negative balance can probably be reduced by DM1.2 billion by January" (3).

Reality itself thus already refutes the fairy tale of the allegedly deficient delivery capability of the socialist countries and thus also the arguments of those forces who do not like the idea of expanding economic relations between east and west for political reasons. The growing volume to be anticipated nevertheless makes it necessary further to perfect the forms and methods of financing commerce, cooperation and scientific-technological collaboration.

### III. Some Forms and Methods of Economic Relations

A new element in relations between socialist and capitalist states, which was introduced along with the advance in the process of detente in economic colla-

boration and which to begin with permitted this sort of thing, is the long-term nature and stability of relations based on government treaties. At the time of the Cold War and imperialist attempts to penetrate the socialist countries with the help of "economic bridge building" or to divide them, there were only government treaties, agreements, etc., which were concluded for one year or just a few years and between a series of states there were no treaty relations whatsoever. The latter affected above all the GDR in its relations with the capitalist states when the majority of the capitalist countries still denied the GDR diplomatic recognition. This was completely contrary to the need for long-term, stable regulations, such as they arise as a requirement from the scientific-technological revolution, the interest of both sides in the erection of big projects and the establishment of long-term production cooperation relations which demand stable, division-of-labor processes between the parties involved on the basis of general government regulations and guarantees.

Long-term government agreements, as a rule running between 5 and 10 years, on economic, technical, and industrial but also scientific collaboration were signed in recent years by almost all CEMA states particularly with France, Great Britain, the FRG, Italy, Belgium, the Netherlands, the northern European countries, as well as the USSR and Japan or other states. These treaties spell out the measures and guarantees needed for the promotion and expansion of mutually advantageous, equal commercial and economic relations as well as industrial and scientific-technological collaboration. With the measures, contained in a series of treaties, for the elimination of still existing trade obstacles, they offer prerequisites for a considerable expansion in economic relations and the further development of the commodity structure in favor of the export of finished products.

One specific aspect of treaty relations in recent years consists in the fact that the treaties go beyond the framework of the circulation sphere. The agreements regulate not only commercial questions but also problems of scientific-technological collaboration going beyond commerce, problems of licensing, credits, and other financial aspects. That applies above all to treaties with the EEC states. Long-term trade treaties also exist with non-EEC countries.

In addition to long-term treaties on economic, industrial, and scientific-technological collaboration, treaties were signed on collaboration on the government level for between 5 and 10 years in certain sectors or economy branches, essentially also since the beginning of the seventies; those treaties deal primarily with global problems. That applies, for example, to treaties between the USSR and the United States in the fields of environment protection, health, exploration and utilization of space for peaceful purposes, world ocean research, agriculture, transportation, the energy industry, the construction industry, in the field of science and technology (mostly for 5 years) and on scientific-technological collaboration in the field of the peaceful utilization of atomic energy (for 10 years). Between the USSR and other socialist countries, on the one hand, as well as additional capitalist countries, on the other hand, we also have such agreements, for example, in the field of transportation, energy, or health (1). These have in the meantime

been joined by numerous long-term treaties signed by the other socialist states, including the GDR, with capitalist countries.

#### Some Aspects of Role of Foreign Trade

Foreign trade continues to play a decisive role in economic relations between socialist and capitalist countries (2). That is not changed either by the fact that, especially in recent years, new and more intensive forms of economic collaboration have developed between the east and the west and are assuming an ever greater scope. The still overriding significance of foreign trade springs from the fact that commodity movement between socialist and capitalist countries for the reasons given earlier (chapters I and II) on the one hand will generally continue to grow and that, on the other hand, foreign trade is organically tied in with other sectors, particularly with the new forms of economic collaboration, for example, production cooperation. Commodity exchange is used not only to conduct commodity transactions as such but also those commodity shipments which are handled within the framework of production cooperation and further forms of industrial and financial cooperation as well as scientific-technological exchange.

As we emphasized before, foreign trade between the CEMA countries and the capitalist industrial countries rose considerably especially in the new phase of economic relations between east and west (see table 1). But from the viewpoint of bourgeois statistics, we can also detect a great increase in the foreign trade of the economically most heavily developed capitalist states with the CEMA countries. The total foreign trade of some individual OECD states accordingly over a period of about ten years roughly quadrupled. The scope of foreign trade with socialist states during the same period of time however roughly quintupled. As a result of the relatively greater increase in commerce with socialist countries, it was possible to increase the share of the CEMA, out of the total foreign trade volume, by about 1/5, in spite of the considerable increase in OECD foreign trade. Developments between the two economic groupings in Europe took a similar course. While the total foreign trade of the EEC states during about ten years roughly quintupled, the volume of foreign trade with socialist states during the same time interval increased about sevenfold.

It was especially the leading imperialist states that were able, precisely during recent years, to win larger shares in east-west trade or to hold on to them or to improve already existing shares. At this time, the share of "eastern trade" by the OECD states amounts to about 4 percent out of their total exports (see table 7).

In the course of a general increase in trade between socialist and capitalist states, the leading capitalist countries were able not only to increase the volume of their exports to the socialist countries in terms of value; in most cases the share of "eastern exports" also went up (see table below).

Share of Exports of Imperialist States To CEMA Countries Out of Total Exports, in Percent

	1970	1973	1974	1975
USA	0,8	2,5	1,5	2,7
Japan	2,5	2,5	3,4	4,4
1) BRD	5,7	7,0	7,8	8,8
2) Frankreich	3,9	3,7	3,7	4,9
3) Großbritannien	3,5	2,7	2,7	2,9
4) Italien	5,8	4,5	5,7	6,5

Legend: 1--FRG; 2--France; 3--Great Britain; 4--Italy

Table 7. Share of Trade With CEMA Countries Out of Total Trade OECD Countries

	1965	1970	1971	1972	1973	1974	1975
1) OECD-Staaten mit Welt,							
2) Mio USA-Dollar	244938	436183	486396	578043	790388	1004434	1150384
3) darunter:							
4) mit RGW	7060	13549	14917	18812	26759	35128	43674
5) Anteil des RGW, v. H.	2,9	3,1	3,1	3,3	3,4	3,5	3,8

Legend: 1--OECD states with rest of world; 2--Millions of American dollars; 3--Including; 4--With CEMA; 5--Share of CEMA, in percent. Calculated by IPW according to STATISTICS OF FOREIGN TRADE, published by OECD, Series C. Paris, current.

Table 8. Exports By Capitalist Industrial States To CEMA Countries In Millions of American Dollars

	USA	Japan	1) BRD	2) Frankr.	3) Großbrit.	4) Italien
1973	1796,4	916,0	5035,4	1336,3	833,5	1005,2
1974	1428,0	1873,0	7090,5	1692,5	1060,0	1711,1
1975	2809,1	2325,6	7828,9	2636,4	1284,2	2136,0

Legend: 1--FRG; 2--France; 3--Great Britain; 4--Italy. Calculated according to STATISTICS OF FOREIGN TRADE, published by OECD, Series A and B, Paris, current.

In such countries as the FRG, Italy, France, and, somewhat further down, also Japan, exports to the socialist countries have already become a noteworthy factor in the foreign trade relations of those states. Here of course we must underscore the fact that even these leading "eastern trade countries" of western Europe consider the CEMA countries most extensively in terms of sales and concentrate their priority import interests, which are quantitatively considerably smaller, on shipments of raw materials, energy sources, and certain semifinished products. Because of that, the import shares as a rule are between 1 and 2 percent below the export shares. We then get the structural and balance problems which we covered already in chapter II.

But the increase in foreign trade sales is confined not only to the leading capitalist states or the leading EEC countries. Here we must also note the smaller western European countries which, to be sure, reveal a considerably differentiated picture--something which we will not examine in detail in the framework of this study. It was particularly the smaller European countries--which do not belong to the west's military or trade-policy groupings--that were able considerably to expand their foreign trade with the CEMA states and to gain greater shares than even a number of economically leading imperialist states. That includes such countries as Finland, Austria, Cyprus, and Sweden. Other smaller countries, which belong to the EEC or NATO and which, in their foreign trade relations, are most extensively oriented toward the interests of those groupings and the countries that run the show there--neglecting their own interests--on the other hand get a far smaller share out of the business with the socialist states. That includes for example such countries as Belgium, Denmark, the Netherlands, and Norway (see table 9). From this brief survey, which is in keeping with the general trend in economic relations between socialist and capitalist states, we can clearly see that, in the case of most smaller European countries likewise, the desire to deliver exceeds the interest in making purchases; the demand in this field rose only due to the influence of the energy and raw material crisis; the future interests of the smaller neutral western European countries--to work against an excessively one sided tie-in with the big EEC states--points toward the stepped-up import of finished products.

We must start with the idea that foreign trade between socialist and capitalist countries will further expand especially in Europe. (The table on foreign trade of selected capitalist countries with socialist countries of Europe presents an overview of developments so far, whereby it must be kept in mind that a direct comparison with the statistics given is impossible because foreign trade by the European CEMA member countries and Yugoslavia was combined in the data.) In this sense one must also evaluate the final act of the CSCE which notes that trade represents an essential sector of collaboration and that the scope and structure of trade between the participating states do not in all cases correspond to the possibilities created by the present status of their economic and scientific-technological development. From that they derive the determination to promote the expansion of their reciprocal commodity and service transactions and to guarantee favorable conditions for such a development. They will promote the expansion of trade on the broadest possible multilateral foundation and they will try to utilize the various economic and commercial possibilities (3).

Table 9. Share of Trade With Socialist Countries In Foreign Trade of Capitalist States, In Percent

	Export			Import		
	1960	1970	1974	1960	1970	1974
1) Belgien	2,7	1,7	3,2	2,2	1,7	2,0
2) Dänemark	3,4	3,6	3,8	4,5	3,6	5,1
3) Finnland	18,1	16,3	17,3	19,2	16,7	17,2
4) Niederlande	2,2	2,1	2,5	2,4	1,9	2,3
5) Norwegen	4,8	3,1	3,7	3,1	2,4	2,6
6) Österreich	14,9	13,3	17,4	10,6	9,7	10,2
7) Schweden	4,5	5,4	6,6	4,5	5,1	6,2
8) Schweiz	3,5	4,8	5,9	2,7	2,4	2,6

Legend: 1--Belgium; 2--Denmark; 3--Finland; 4--The Netherlands; 5--Norway; 6--Austria; 7--Sweden; 8--Switzerland. Calculated by IPR according to STATISTICS OF FOREIGN TRADE, published by OECD, series A and B, Paris, current.

Trade thus could develop even more smoothly if the inhibiting factors--which are being practiced by the leading imperialist countries and the EEC as elements of economic policy, such as quotas, customs restrictions, EEC agricultural market taxes, and embargo provisions--were to be replaced by the principle of unrestricted most-favored nation status (see chapter II).

#### Forms of Cooperation

In recent years, as we underscored before, new forms of long-term, stable foreign trade relations developed between socialist and capitalist countries and those relations go beyond the framework of foreign trade. This involves the kind of economic and industrial collaboration which also increasingly involves science and technology. International production cooperation is a new phenomenon in the internationalization of economic life (4) whose development however is by no means confined to relations between socialist and capitalist states. Looking at it historically, such cooperation relations between them neither sprang up first, nor were they most strongly developed between them.

Trade, as we know, in the past was the only way in which economic relations between the individual countries were handled over many centuries. One feature of this form of economic exchange consisted and still consists in the fact that only the initial and final phases of the reproduction process went or go beyond the borders of one country, either in the form of the sale of a commodity to a foreign country or as the purchase of commodities which were produced abroad but which are consumed at home. The formal independence of the partners is not questioned here and property ownership problems or problems of the technological independence of the partners are not brought up; transactions between them take place via international trade.

Statistical Table 1. Foreign Trade of Selected Capitalist Countries With Socialist States of Europe (1)  
In Millions of Dollars; Data in Parentheses = Shares In Percent

	USA	Japan	BRD	Frank- reich	Italien	Großbri- tannien	Belgien/ Luxemburg	Nieder- lande	Däne- mark	Finn- land	Öster- reich	Schwe- den	Schweiz
			4)	5)	6)	7)	8)	9)	10)	11)	12)	13)	14)
15)	<i>Außenhandelsumsatz 1966</i>												
	Export	20 299	5 416	11 654	3 669	9 901	3 786	4 028	1 463	1 060	1 126	2 565	1 871
	Import	14 651	6 722	10 382	4 740	12 758	3 968	4 530	1 795	989	1 416	2 883	2 232
	Gesamt	34 950	12 138 <sup>2</sup>	22 036	8 409	22 659	7 754	8 558	3 258	2 049	2 536	5 448	4 103
	darunter: mit sozialistischen Ländern												
17)	Export	281	178	803	268	259	106	67	62	220	191	119	79
		(1,38)	(3,28)	(6,89)	(7,30)	(2,61)	(2,80)	(1,66)	(4,23)	(20,7)	(17,05)	(4,64)	(4,22)
	Import	118	180	712	342	432	83	103	80	195,7	188	126	56
		(0,80)	(2,67)	(6,55)	(7,21)	(3,39)	(2,09)	(2,27)	(4,46)	(19,7)	(13,28)	(4,37)	(2,50)
16)	Gesamt	399	358	1 515	412	691	189	170	142	416	379	245	135
		(1,14)	(2,94)	(6,87)	(7,25)	(3,04)	(2,43)	(1,98)	(4,35)	(20,3)	(14,95)	(4,49)	(3,29)
	<i>Außenhandelsumsatz 1970</i>												
16)	Export	42 590	19 318	34 848	17 739	19 262	11 609	11 766	3 285	2 306	2 857	6 782	5 102
	Import	39 952	18 881	30 373	18 922	21 678	11 362	13 393	4 385	2 637	3 549	7 005	6 448
	Gesamt	82 542	38 193	65 221	36 661	40 940	22 971	25 159	7 670	4 943	6 406	13 787	11 550
17)	darunter: mit sozialistischen Ländern												
	Export	512	485	2 602	763	776	171	213	117	374	511	361	360
		(1,20)	(2,51)	(7,46)	(4,30)	(4,03)	(1,47)	(1,81)	(3,56)	(16,22)	(17,89)	(5,32)	(7,05)
	Import	317	594	1 942	519	707	165	215	158	431	396	350	202
		(0,79)	(3,15)	(6,39)	(2,74)	(3,26)	(1,45)	(1,61)	(3,60)	(16,34)	(11,16)	(5,00)	(3,13)
16)	Gesamt	829	1 079	4 544	1 282	1 483	336	428	275	805	907	711	562
		(1,00)	(2,83)	(6,97)	(3,50)	(3,62)	(1,46)	(1,70)	(3,59)	(16,28)	(14,16)	(5,16)	(4,87)

	USA	Japan	BRD	Frank- reich	Italien	Großbri- tannien	Belgien/ Luxemburg	Nieder- lande	Däne- mark	Finn- land	Öster- reich	Schwe- den	Schweiz
<b>(2) Außenhandelsumsatz 1974</b>													
Export	97 143	55 598	90 633	41 563	30 100	38 621	28 034	32 626	7 658	5 485	7 135	15 768	11 731
Import	100 972	62 035	70 276	48 068	40 712	54 029	29 378	32 396	9 849	6 808	9 004	15 697	14 389
Gesamt	198 115	117 633	160 909	89 631	70 812	92 650	57 412	65 022	17 507	12 293	16 139	31 465	26 120
darunter: mit sozialistischen Ländern													
Export	1 738	1 790	8 802	1 736	2 520	1 172	929	888	307	902	1 441	875	796
	(1,78)	(3,22)	(9,71)	(4,18)	(8,37)	(3,03)	(3,31)	(2,72)	(4,01)	(16,44)	(20,19)	(5,55)	(6,79)
Import	1 159	1 758	4 920	1 358	2 365	1 192	616	707	440	1 511	968	939	409
	(1,15)	(2,83)	(7,00)	(2,83)	(5,81)	(2,21)	(2,10)	(2,18)	(4,47)	(22,19)	(10,75)	(5,98)	(2,84)
Gesamt	2 897	3 548	13 722	3 094	4 885	2 364	1 545	1 595	747	2 413	2 409	1 814	1 205
	(1,46)	(3,02)	(8,53)	(3,45)	(6,90)	(2,55)	(2,69)	(2,45)	(4,27)	(19,63)	(14,93)	(5,77)	(4,61)

<sup>1</sup> Europäische RGW-Mitgliedsländer und Jugoslawien. - <sup>2</sup> 1963.

Legend: 1--European CEMA member countries and Yugoslavia; 2--1963; 4--FRG; 5--France; 6--Italy; 7--Great Britain; 8--Belgium/Luxemburg; 9--Netherlands; 10--Denmark; 11--Finland; 12--Austria; 13--Sweden; 14--Switzerland; 15--1960 foreign trade volume; 16--Total; 17--Including: with socialist countries; 18--1970 foreign trade volume; 19--1974 foreign trade volume. Calculated by IPW according to STATISTICS OF FOREIGN TRADE, published by OECD, Series B, Paris, current; "Statistisches Jahrbuch fuer die Bundesrepublik Deutschland 1962, 1972, 1975", published by Federal Statistics Bureau, Wiesbaden, Stuttgart and Mainz.

With the transition of capitalism into its imperialist stage, international interlocking capital arrangements develop, alongside with trade in the capitalist world, with a rapidly growing share of direct investments in the total sum of capital invested in foreign countries. But the individual enterprises and even international concerns as a rule remained technologically entirely or extensively independent even well into postwar times; they had a complete production cycle and an output based on that which was to be sold on the market. Deviations from this rule were relatively rare.

Only in recent decades--as was pointed out for example by Schischkow and Nowikow--did something fundamentally new develop between the commodity producers in the various countries, that is, collaboration directly in the sphere of the production process (5). Now international production cooperation took on a mass volume; it became one of the most important tendencies in the development of economic relations on a worldwide scale. Its essential peculiarity consists in the fact that, internationally speaking, not only the initial and final stages of the reproduction process but also its central link, that is, the direct production process, emerge into the open and that those involved in cooperation are closely tied to each other not only economically but also technologically. That introduced qualitatively new features into the process of internationalization of economic life and elevated it to a higher stage. In this case we are dealing with the internationalization of the technological process as such, in that individual enterprises in various countries, so to speak, appear like the divisions of one and the same plant.

This new phenomenon in the international economy was brought about in connection with the new dimensions in the development of the production forces which was attained on the basis of the scientific-technological revolution, particularly through developments in division of labor. Besides specialization in branches and products by individual enterprises or entire economy sectors and countries, we are dealing here with a specialization according to structural components, individual parts and work processes which took place as the foundation of division of labor earlier only within enterprises but which, after World War II in the highly developed industrial countries (auto, machine building, electrotechnology, and electronics industries) grew beyond the individual enterprise and finally spread all over the world market.

The fact that division of labor goes beyond the framework of the individual enterprise or company or perhaps even national economies, is of great importance to the further progress of the socialization of production on a national and international scale. While such a division of labor in the past, as Marx emphasized, took place only within factories or plants, it now gradually extended to the production and exchange of semifinished products, individual parts, and accessory parts of the finished product which were made by various independent enterprises. Under these conditions, every producer of a part of a product--particularly in the branches of the processing industry--must know in advance who will buy his products when and in what volume and he

must coordinate all essential characteristics of his product and often even the technology of its production with the buyer.

The sector of international production cooperation however covers not only the production of the enterprises in the known manner but also the development of collaboration in the field of science and technology.

As we know, according to a definition by Karl Marx, production cooperation, in the general significance of that term, is "the form of work of many who, in the same production process or in different but interconnected production processes, work side by side and with each other according to plan" (6). Marx here figures that such a cooperation among many producers creates a new social production force which, in terms of effectiveness, by far exceeds everything that has existed so far. International cooperation--and there is agreement on this in Marxist-Leninist literature--in comparison to cooperation within one country, represents a new and higher social production force which arises on a certain step in the internationalization of economic life and for which the further increase in the effectiveness of social production opens up new possibilities. That includes the reduction in the expenditure per product unit, the efficient production of new products, as well as the better utilization of many kinds of capacities and resources.

Because we however have two completely different social systems in the world, there is also an essential difference between international cooperation under socialism and under capitalism. Without wanting to go into this in detail, we must say that socialist cooperation expresses relations of socialist collaboration and comradesly aid, that it permits the planned development of the partners, which is subordinated to the goals of socialist economic integration and helps materialize this process, while international production cooperation under the conditions of state-monopoly capitalism serves the interests of monopoly capital and while many advantages are attained for the leading monopolies in the international cooperation mechanism with the help of a system of mostly less-developed, smaller subcontractors. (Special price systems, based on the fact that the smaller outfits depend on the bigger ones, higher profit rates, lower pay for workers, poorer technological equipment, reduced funds in the case of the smaller enterprises, etc., are characteristic of this.)

International production cooperation developed, into most recent times, mostly between countries having identical social systems, in other words, within the socialist and within the capitalist economic systems. Under the conditions of the existence of two socially different international systems, which are of course on the one hand involved in a dispute but which, on the other hand, on the basis of progressing internationalization processes in economic life, primarily under the conditions of the scientific-technological revolution, enter into closer economic relations with each other, we find that international production cooperation developed however also between the two economic systems. Those motivations which generally determine the behavior of the partners in the development of economic collaboration (see chapter I) work

particularly intensively for the reasons just given when we deal with production cooperation among partners from socialist and capitalist countries.

In the meantime everyone agrees on the view that cooperation is advantageous both for the socialist states and for the participating capitalist firms. There is a series of objective factors which bring out the mutual benefits deriving from this form of economic relations between partners having different social-economic systems. Thus, cooperation relations make it possible to cut production costs, to reduce time expenditure, to make more efficient use of resources, capacities, and manpower, and to open up new sales possibilities. It becomes possible to conduct research more intensively and at lower cost because research work is specialized and because the research capacities of the partners can be used together. Cooperation relations reveal a long-term character and thus guarantee a certain stability of collaboration so that there are prerequisites for the organization of production within a longer time frame.

Cooperation relations assure the socialist countries of access to new markets and offer them the possibility of improving the structure of their exports in favor of finished-goods exports. They reduce the requirement for foreign currency to a minimum. Stipulated cooperation relations as a rule encompass also fixed prices for a longer interval of time, something which, in view of the present inflationary tendencies on the capitalist world market and the crisis of the capitalist currency system, is of particular significance (7). The results of cooperation make it possible to improve the supply going to the domestic markets and commodity imports from western countries can be discontinued.

#### Special Aspects of Production Cooperation Between East and West

This kind of production cooperation between partners in the east and the west however is subject also to a series of peculiarities which in the final analysis spring from the different social systems to which the partners belong.

The first peculiarity consists in the fact that the forms of cooperation can develop only in connection with the political detente process between east and west. Without implementing a policy of peaceful coexistence and developing mutually effective confidence, such intensive, firmly-planned, steady and long-term economic relations, all the way into the central sphere of production, are unthinkable. This is also one reason why, for many years there were no or hardly any cooperation relations between socialist and capitalist enterprises and why these forms of economic collaboration are only now beginning to develop.

Cooperation relations between socialist and capitalist states therefore have been existing only since the end of the sixties and, during that time, initially also only in just a few cases; however, thereafter they developed rather dynamically without however, in terms of volume, amounting to more than perhaps 5 percent of the east-west trade volume--and for some of the

socialist countries that was even less. Related to just a few industry branches, they are higher, specifically, in the case of agreements in the machine-building industry with Hungary, for example, by about twenty percent and with Poland by about fifteen percent. According to calculations by V. Baranov, the number of cooperation agreements between 1971 and 1974 increased by 80 percent faster than the trade volume (8) (see table 10).

Table 10. Participation of Western European Countries In The Most Important Forms of Industrial Collaboration With The Socialist Countries, In Percent

	1) Austausch wissensch.-techn. Kenntnisse	Investitions- programme 2)	Speziali- 3) sierung in der Produktion	Koopera- tion in der Produktion 4)	andere Formen 5)
6) Großbritannien	8,2	8,3	2,0	2,9	2,9
7) Italien	3,4	14,5	2,1	7,4	21,5
8) Frankreich	10,4	15,4	22,0	8,9	7,6
9) BRD	18,6	17,8	9,3	22,6	26,8
10) diese 4 Länder insg.	40,6	56,0	35,4	41,8	58,8
11) Österreich	25,4	6,6	24,1	31,3	18,6
12) Belgien/Luxemburg	5,1	2,1	—	4,5	2,9
13) Dänemark	—	—	—	—	1,9
14) Niederlande	8,4	2,0	4,3	—	2,9
15) Norwegen	1,6	4,2	4,0	1,4	—
16) Schweden	5,1	8,3	18,7	16,4	9,1
17) Schweiz	10,4	2,1	8,1	2,9	2,9
18) Finnland	3,4	18,7	5,4	1,7	2,9
19) die kleinen Länder insg.	59,4	44,0	64,6	58,2	41,2
20) Insgesamt	100,0	100,0	100,0	100,0	100,0

Legend: 1--Exchange of scientific-technological knowledge; 2--Investment Programs; 3--Production specialization; 4--Production cooperation; 5--Other forms; 6--Great Britain; 7--Italy; 8--France; 9--FRG; 10--These four countries together; 11--Austria; 12--Belgium, Luxembourg; 13--Denmark; 14--Netherlands; 15--Norway; 16--Sweden; 17--Switzerland; 18--Finland; 19--Small countries, total; 20--Grand total. Author's calculations based on materials from 191 western European companies participating in industrial collaboration with enterprises in socialist countries. Consideration was given to the agreements that were signed between 1 January 1971 and the end of 1974.

In 1968, according to data from international economic organizations, there were 168 cooperation agreements between socialist states and firms in capitalist industrial countries; at the beginning of the seventies, the number was about 350-400; in 1973, according to the ECE, the figure was about 600 and in 1976 it was already more than 1,000. The first CEMA countries, which moved on the road to industrial cooperation with the capitalist industrial countries included Hungary and Poland as well as Romania. These countries presently account for more than half of all such agreements. Thus, Hungary until 1974 signed about 300 agreements on industrial cooperation, Poland signed 200,

Romania 150, Bulgaria 30, and the CSSR 25 (9). After the establishment of diplomatic relations, the GDR likewise signed numerous cooperation agreements with capitalist countries.

We can see by the example of the Hungarian People's Republic what dynamics of the development of cooperation relations between the socialist states and the developed capitalist countries revealed in recent years. Between 1963 and 1967, a total of 27 cooperation agreements was signed; in 1968, the number was already 26 and in 1969 it was 42. By the middle of 1972, 164 agreements had been signed and in 1974 the figure was more than 300, of whom seventy-five percent pertained to the machine-building industry. To be sure, a series of cooperation treaties is in practice not sufficiently as effective as yet.

On the capitalist side, we particularly note firms from a series of western European countries as cooperation partners. They include the FRG, France, Great Britain, and Italy, but also Sweden, Austria, and Finland. Preferred sectors of cooperation are machine-building, parts of the raw materials industry, especially raw material and energy production, as well as electro-technology. Cooperation in the light industry, in the area of the remaining consumer goods production and in metallurgy is relatively little developed.

It goes without saying that the imperialist countries also consider cooperation relations to be a political instrument. Imperialist circles hoped to find possibilities for subversive activities against socialism precisely through cooperation. Accordingly, cooperation relations also demand a special degree of vigilance on the part of the socialist states in order at the right time to frustrate any intended imperialist troublemaking. In earlier years, imperialist politicians also quite openly expressed the hopes along those lines while today they are considerably more moderate in describing their objectives (10).

It must however be emphatically stressed in this connection that political circles in western countries--who think that they can pressurize or perhaps even blackmail the socialist countries through economic relations--are diminishing their chances of intensifying economic relations on a basis of equality. Only full renunciation of interference in the internal affairs of the socialist states and their economic and social systems can contribute to the development of relations.

Another special aspect of cooperation consists--as, for example, L. Maier and K. H. Stiemerling observed--in the fact that production cooperation takes shape under the influence of an already clearly visible mechanism of economic cooperation between socialist and capitalist countries (11). That includes above all the following:

Government-level agreements, particularly government agreements on economic, technical, and industrial cooperation running 5-10 years;

The establishment of mixed commissions between the partners which in numerous cases are subdivided into a major commission and so-called small commissions for the particular sectors of cooperation;

Treaties between government agencies of the socialist states and capitalist firms, establishment of company representations both from the industrial sector and from credit institutes, etc.;

Special trade-policy regulations with regard to the granting of most-favored nation status, the reduction of trade barriers, the improvement of commodity exchange structures, credit conditions, guarantees, etc.

It is characteristic for the development of this mechanism here that the boundary lines between industrial cooperation and scientific-technological collaboration are extraordinarily fluid although they are often determined specifically through differing agreements.

A third peculiarity is represented by the fact that cooperation relations take place under the system of discrimination implemented on the imperialist side particularly by the United States and the EEC countries which thus not only have a negative effect on the sphere of foreign trade. A change toward the better must not be overlooked; the inhibiting factors however still are extraordinarily strong also in the field of international cooperation. As particularly positive examples one might emphasize the government agreements concluded between the GDR and Japan as well as the GDR and Finland, which called for the grant of unrestricted most-favored nation status. With such and similar agreements, important prerequisites are being created for the development of cooperation relations over the next several years, among other things, for the erection of complete industrial plants in the GDR, the exchange of licenses, scientific-technological results and information, as well as the general strengthening of scientific-technological collaboration. At the same time, Japan and Finland pledged that their government agencies would work toward the materialization of concrete treaties on economic, scientific-technological, and industrial collaboration between firms and installations, on the one hand, and GDR government agencies, on the other hand. Some other countries, especially the USSR but also Hungary, Poland, and Romania, have been able to push through a number of advantageous regulations for the cause of socialism. Thus, for example, the agreement concluded between France and the USSR expressly provides for an essential improvement in the commodity structure of exchange or trade and a considerable increase in imports of Soviet machines, finished products, and equipment.

It must furthermore be kept in mind that, fourth, partly highly manifold forms of cooperation have been taking shape.

The final document of the CSCE observes that the conference participants recognize that industrial cooperation encompasses a series of forms of economic relations going beyond the framework of traditional commercial transactions and that the partners during treaty negotiations on industrial

cooperation together determine the suitable forms and conditions of collaboration considering their mutual interests and their potential" (12).

The GDR position in this respect was made clear once again for example at the 31st full session of the ECE: "The GDR underscores the observations of the final act, to the effect that industrial cooperation

"can create lasting bonds and can thus strengthen long-term comprehensive economic collaboration,

"can contribute to economic growth and to the expansion and diversification of international trade and to a broader application of modern technology and that

"the development of industrial cooperation between the competent organizations, enterprises, and companies is to be promoted and

"industrial cooperation can be made easier through international and other bilateral and multilateral agreements between the participants" (13).

The forms of cooperation were grouped in rather different ways in the international discussion, also among scientists from the socialist countries (14). As a rule, one uses the cooperation definition of the ECE as working foundation which starts with the following: "The term industrial cooperation in the east-west sphere is used in referring to economic connections and activities which

"(a) result from multiannual treaties between partners with different social systems, going beyond direct delivery business with goods and services and which moreover include a series of mutually supplementary or mutually influencing operations (in the production sector, for development and in the transfer of technologies, in marketing, etc.); and which

"(b) result from such treaties as were characterized by the governments in bilateral or multilateral agreements as industrial cooperation treaties: (ECE/844/Rev. 1, Geneva, 1973, B.2).

According to this definition, the ECE analysis distinguishes six forms of industrial cooperation:

1. License agreements with subsequent payment through finished products;
2. Delivery of complete plants or production lines, whereby payment is made through finished products;
3. Joint production and specialization;
4. System of subcontractors;

5. Establishment of joint sales or production enterprises;
6. Offer and execution of joint projects (in third countries) (15).

#### Cooperation and Compensation

Regulations within the framework of economic cooperation between socialist and capitalist countries are of particular significance. This as a rule involves big projects in which both enterprises from various branches of industry and from banking and other sectors of the economy of at least two countries are involved. They are known particularly as long-term compensation agreements for the procurement of raw materials and energy in economic relations between the Soviet Union and Poland, on the one hand, and western partners, on the other hand. The first agreements of this kind encompassed Soviet deliveries of natural gas to western European countries. They were used to repay loans which had been extended to the Soviet Union by western European banks or bank consortiums and for which the Soviet Union had purchased big pipes and other equipment in western Europe. In the meantime we have had numerous agreements of this kind for the extraction of natural gas, ores, coal, lumber, petroleum, and other raw materials.

Compensation however need not necessarily be accomplished in such a manner that loans are repaid through products from the production effort that was launched with the help of those loans. Such an agreement was signed between the Polish People's Republic and Finland, specifically, on the delivery of Polish hard coal in 1975-1990 to Finland as well as the delivery of finished industrial plants and services to the Polish People's Republic. A portion of the coal shipments here moreover is used to repay a loan which the Polish People's Republic got from Finland for the development of the cellulose and paper industry, a branch in which Finnish enterprises traditionally have great experience in terms of technical equipment.

As L.I. Breshnev emphasized at the 25th CPSU congress, the issue here revolves around "the development of new forms of foreign trade relations going beyond the framework of conventional commerce, considerably expanding our possibilities and as a rule yielding the highest benefits. I am talking here especially about compensation agreements according to which new enterprises, which belong completely to our state, are being erected through collaboration with foreign enterprises. Loans, equipment, and licenses are made available to us and we pay for all that with a part of the products which are being turned out in these or other enterprises. So far, such agreements primarily involve economy branches which produce raw materials and semifinished products. But it seems that the time has come to extend the area of applicability of these agreements and also to include the processing industry and to look for new methods for production cooperation" (16).

Here we already have a new orientation for those sectors of industry whose export production is presently still rather underdeveloped in the Soviet Union but also in a series of other countries. At the ninth congress of the SED Erich Honecker, noted that the GDR is also continuing to move along the proven road of compensation business.

Production cooperation on the enterprise level is developing rapidly in the collaboration area. It encompasses division of labor within an enterprise or a branch in the production of a product or a production assortment and is very often referred to as industrial cooperation in international literature. The Hungarian Mechanical Measurement Instrument Enterprise and the Austrian firm of TROX Brothers are jointly developing and producing, for example, various ventilation systems. The Hungarian enterprises Tütöber and Czoszer have signed a cooperation agreement with the firm of Oesterreichische Klimatechnik on the joint production of air conditioning systems. A cooperation contract was signed between an enterprise in the CSSR and the Italian concern Finmecanika on the joint production of a BD-200 weaving machine, according to which the CSSR plant will turn out the mechanical part while the other parts will be produced by the Italian company based on CSSR documentation. Between the Polish enterprise of Polimex and the British enterprise, there is a 7-year cooperation contract covering the joint production of construction cranes. Both sides produce the same type of cranes based on British documentation, and each side specializes in the production of certain structural components and individual parts.

The forms of production cooperation between individual enterprises, which involve division-of-labor relationships planned in longer-range terms, in addition to production also frequently include complex collaboration, encompassing planning and sales. Between the Hungarian Ganz enterprise and the Italian Fiat concern, there is an agreement on the joint production of turbogenerators, including the electrical equipment, technical improvements, start-up and mutual technical support; Fiat gives Hungary the technical documentation for the production of the generators. As part of the account settlement for technical documentation relinquished, Fiat buys electrotechnical equipment and generators from Ganz and supports the Hungarian enterprise in the sale of its products on third markets.

The GDR repeatedly underscored its readiness with the help of cooperation to create lasting connections in order thus to strengthen long-term comprehensive economic collaboration. It starts with the idea that the development of industrial cooperation between competent organizations, enterprises, and companies is to be promoted and that industrial cooperation can be facilitated by means of international and other bilateral and multilateral agreements between the participating parties. In an effort to develop collaboration with the capitalist industrial countries, the GDR entered into numerous government agreements on economic, industrial, and technical collaboration with such countries as France, Italy, the Netherlands, Belgium, Denmark, Great Britain, Austria, Finland, Norway, and Sweden.

Although these agreements were entered into only in recent years, there are numerous initiatives by the participating countries in an effort to develop manifold forms of collaboration. The agreement with the French Republic, for example, which was signed in 1973 for a period of 10 years, calls for concrete collaboration projects and constitutes the framework for the agreements entered into between the foreign trade enterprises of the GDR and

Statistical Table 2.

On 15 December 1976, the "Press Bulletin Moscov Narodny Bank" published this overview of the compensation agreements signed by the Soviet Union with the most important capitalist countries.

Ware/Projekt 1) 2)	Kontrahent 3) 4)	Geschätzter Wert d. sowj. Importe, Mio USA-Dollar	Jahr der ersten Käufe 7)	6) Jahr der ersten sowjet. Exporte 8)	9) Wert der projekt- gebundenen Exporte, Mio USA-Dollar 1975/80 1981/85
10) Erdgas	20) Österreich (OEMV, VÖEST Alpine Montan)	110	1969	1969	900 1000
10) Erdgas	21) BRD (Ruhrgas, Mannesmann)	1500	1970	1974	2800 4700
10) Erdgas	22) Italien (ENI, Finsider)	190	1971	1974	1200 3200
10) Erdgas	23) Frankreich (Gaz de France, Valeurce)	250	1972	1976	700 1462
Ostsibirisches Forstwirtschafts- projekt 11)	Japan	163	1969	1969	1974 abgeschlossenes Geschäft
12) Ostsibirisches Spanverarbei- tungswerk	Japan	45	1972	1972	145 50
13) Holzverarbei- tungskomplex Ust-Ilimsk	Frankreich (Parsons and Whitemore)	60	1974	1977	34 50
14) Ammoniak- u. Harnstoffkomplex					
15) Kuibyschew Chemieanlagen	USA Italien (Montedison)	400 500	1975 1975	1978 1977	2000 2500 175 250
16) Südjakutische Kohle	Japan	450	1975	1989	80 860
17) Kursker Eisen- erz-Pelletisie- rungswerk	BRD (Krupp, Korf, Salzgitter, Siemens, Demag)	1000	1975	—	450 1000
18) 2. ostsibirisches Forstwirtschafts- projekt	Japan	550	1975	1975	1100 —
15) Chemieanlagen	Italien (ENI)	1000	1975-80	—	— —
15) Chemieanlagen	Frankreich (Litwin)	100	1974	1977	50 60
19) Aluminium- komplex	Frankreich (PUK)	600-1000	1976	—	— —
15) Chemieanlagen	Frankreich (Creusot-Loire)	220	1975	1979	100 225

Legend: 1--Commodity; 2--Project; 3--Contracting Party; 4--Estimated value of Soviet imports in millions of American dollars; 6--Year of first; 7--Purchases; 8--Soviet exports; 9--Value of project-related exports in millions of American dollars; 10--Natural gas; 11--East Siberian forestry project; 12--East Siberian chip processing plant; 13--Ust-Ulimsk wood processing complex; 14--Kuibyshev ammonia and urea complex; 15--Chemical plants; 16--South Yakutian coal; 17--Kursk iron ore pelletization plant; 18--2nd East Siberian forestry project; 19--Aluminum complex; 20--Austria; 21--FRG; 22--Italy; 23--France; 24--Business transaction completed. OeMV--Austrian Petroleum Administration; VOeST--United Austrian Iron and Steel Works, Inc.; ENI--National Hydrocarbon Agency.

leading French firms, such as between the industrial plant import foreign trade enterprise and between Creusot-Loire Entreprise, between Chemical Export-Import and Rhone-Poulenc.

Cooperation agreements, such as those signed, for example, between foreign trade enterprises of the GDR and enterprises such as VOeST in Austria, Montedison in Italy, and ICI in Great Britain, likewise proved to be a very useful form. It provides for the application of various forms of economic collaboration, such as, for example, coordination of production programs, supplier shipments and completion sets for systems, cooperation in exports or in the construction of systems in third countries. The foreign trade enterprise of the GDR for industrial plant imports and the Italian firm of Daniel & Co. S.P.A. signed a contract on the construction of an electric steel mill with a continuous casting line for the Brandenburg steel and rolling mill VEB. Additional firms from Italy and Sweden as well as various enterprises from the GDR will work together in the construction of this industrial plant by 1980. On the basis of the compensation principle, another contract was signed on the delivery of metallurgical and other products of the metal working industry of the GDR in the same amount.

A relatively new form of cooperation is "permit production." CEMA countries obtained permission for the production of brand items turned out by capitalist enterprises. The west often makes technical equipment and "know how" available, in many cases on a credit basis. Payment is made in many different ways, among other things, by shipping products produced through this form of cooperation.

#### Establishment of "Mixed Companies"

The establishment of joint enterprises or mixed companies represents a special problem. On the territory of the capitalist states this primarily involves the expansion and qualification of the sales and service network by the mixed companies.

The sale of products of the socialist states in capitalist countries creates a large number of questions for the producers and sellers. The socialist countries, which, with their products, as a rule only hold a small share of

the market, are finding it extremely difficult to achieve a breakthrough on the capitalist markets with their commodities--even in case of top quality and maximum utility value properties--because they are dealing with a very old and seasoned sales organization (market research, sales, service, etc.) which their capitalist competitors set up long ago. Enterprises from socialist countries sell their products under these complicated conditions either by using a sales organization of capitalist firms--something which turns out to be a good idea in many cases--or via an organization in which both socialist and capitalist countries participate (mixed companies). We are dealing here with a relatively new form of collaboration which takes into account the differing social systems of the partners and at the same time the conditions of the capitalist markets. Such mixed enterprises in capitalist industrial countries open up new markets for the socialist countries and represent a possibility for "synchronizing" the differences in commercial practices.

But they are not only confined to the circulation phase although most of them concentrate on the sale of products and the pertinent service, that is, products which are produced by socialist enterprises for capitalist markets or which come from cooperation between enterprises in socialist and capitalist countries. A number of mixed companies have begun to start production functions, for example, assembly but also leasing.

The legal prerequisites for the establishment of joint enterprises on the territory of socialist countries, operating according to the principles of joint participation with a foreign partner, have so far been created in Yugoslavia and in Romania and Hungary, both of which are CEMA countries. In Romania, there are ten such enterprises, some of them already in operation while others are under construction. The lesson learned with such enterprises however are not yet sufficient when it comes to preparing a balanced estimate on the outlook of their effective operation in the socialist planned economy. It will probably take some time before the planning agencies of the CEMA countries and the potentially interested capitalist investors get a realistic picture of their economic capacity. Nevertheless, one may well say that they will probably hardly become the main form of east-west collaboration because of the system differences in the two economic and social systems and that however at the same time more attention should be devoted to them. (Recently, regulations of this kind have also come out in the CRV [Socialist Republic of Vietnam].)

Joint investments, with consequences arising from the acquisition of property, however, must not be the only way to establish closer ties between the long-term interests and competences of the cooperation partners. To be sure, opinions in capitalist economic circles on that score are highly divided. Views mostly tend toward considering ownership participation as the only or the priority solution for east-west economic problems; others--last but not least under the impression of legislation and practice in most of the socialist countries--are inclined not to emphasize ownership participation in mixed companies for the joint production of products. David Rockefeller for example emphasized that it is, in the final analysis, the main

purpose of the investors to obtain a share out of the profits of the foreign enterprise so that the question of ownership is not as important any longer for many companies--provided their share out of the profits is guaranteed (17).

In the future, therefore, further forms of cooperation will certainly be developed and they will involve a mutually acceptable basis for the solution of such problems, for example, a guaranteed share out of the profits of an enterprise built with the help of foreign investors, their right to have a say in the plant's technical and commercial policies, the representation of their interests on the management, etc.

One essential concern of the socialist countries consists in the fact that cooperation relations must not remain a one-sided affair but that cooperation projects should be increased in terms of number and multiplicity between the socialist countries and the capitalist countries on the territory of western states (18). Here however we only have a small number of examples in the beginning. Best-known is the joint Soviet-French project for a steel mill at Fos-sur-mer, the construction of a pressing plant by the Soviet Union near Paris, the erection of nuclear power plants and steel mills with the help of the Soviet Union in Finland, etc. Among the partners in the capitalist states, we can register increasing insight into the reciprocal nature of relations because this is the only way the socialist countries can increase their purchases in the long run. Hans Birnbaum, chairman of the board of directors of the West German firm of Salzgitter AG, for example, at the Leipzig Spring Fair in 1977 emphasized that economic relations must never be a one way street.

#### Trilateral Cooperation

Another form of cooperation is collaboration among partners from socialist and capitalist countries in third states, especially developing countries (19). Like all questions of cooperation, this cooperation cannot be separated from the political aspects of economic collaboration which is why it is not at all thinkable without the continuation of the political detente process. Under the conditions of the Cold War we therefore had hardly any examples of this kind of joint effort. But today, under the influence of the detente process and the crisis of neocolonialism, the situation has changed quite generally.

The declaration of the socialist states at the Fourth UNCTAD Conference in Nairobi in 1976, underscores this new situation, such as it was created especially by the results of the CSCE. As it says in the declaration, "broad possibilities" are opening up "for the application of their experiences and recommendations toward the solution of political and economic problems in other regions and for letting all countries of the world, on the broadest possible basis, enjoy the economic fruits of detente on the European continent. In particular, the materialization of detente creates possibilities for the growth of commodity exchange with the developing countries, for the involvement of interested countries in the specialization and cooperation as well as investment projects on a multilateral foundation" (20).

In this connection Lutz Maier alerts us to Europe's relations with the "Third World" and the closely connected problems of a transformation of the international economic order. The point of departure and the prerequisite here are to consist of the conscious application of general democratic principles with international law to economic relations, principles such as the inviolability of sovereignty, of territorial integrity and political independence of states, sovereign equality, noninterference, peaceful coexistence, equal rights and independence of peoples, granting mutual and commensurate benefits. The application of such principles should be expressed concretely and should be supplemented through the determination of behavior norms and rules in economic collaboration. That would include among others the following:

The right of all states and peoples freely and without pressure and threats from the outside to decide on their social and economic systems and not to be discriminated against in international economic relations on the basis of that decision;

The right of all states to constant and full sovereignty over their natural resources and economic activities, including the right to the expropriation and nationalization of foreign property in return for indemnity as determined by the national state itself;

Control and regulation of activities of international monopolies and their subordination to domestic government legislation in those states in which they become active;

The right of every state to select the organizational forms for its foreign trade relations itself, etc.

On these issues it was seen that the principles on relations among participating states, as agreed upon in the final act of the Helsinki conference, coincide directly with those basic principles which are contained in the various documents of the UN, especially in the charter of the economic rights and duties of states, as well as on the creation of a new international economic order. The socialist states are trying consciously to apply these principles in their relations with developing countries.

From these viewpoints, trilateral cooperation (partners from socialist, politically liberated, and capitalist countries) assume growing significance. Trilateral cooperation is beginning to develop in various production spheres and various forms, according to investigations by H. Faulwetter and G. Schaar-schmidt, whereby commerce and production cooperation in most countries still offer the most favorable application possibilities. It encompasses export and import transactions up to the formation of mixed sales organizations, engineering firms, and customer service as well as assembly enterprises for machinery, plant, and transportation equipment projects, in which capitalist firms, socialist enterprises, and government or private enterprises from the developing countries are involved. It is at the same time to be found in

industrial production, technical-scientific research and development, as well as planning, in agriculture, in geological prospecting and in the exploitation of natural resources, in the transportation industry and in manifold sectors of the improvement of the health and education system and the infrastructure, all the way up to interregional transportation projects and transportation routes.

In their declaration at the Fourth UNCTAD Conference in Nairobi the socialist countries expressed their readiness to examine "the possibilities and feasibility of organizing multilateral industrial collaboration with the participation of the socialist countries, the developing countries, and the capitalist industrial countries" (21).

According to an investigation by the Foreign Policy Research Center in Paris (22), so far about 120 cases of trilateral industrial collaboration have become known. This sort of thing is developing particularly in the branches of petroleum, chemistry, in the extraction industry, steel industry, energy and electrotechnology as well as machine-building. Collaboration in the delivery of complete plants, in "know how," in assembly work, and in the training of technical cadres plays an essential role here. Half of the known cases are concentrated on most recent times (1972-1975).

All participants can derive advantages from trilateral cooperation. In the opinion of the last-mentioned GDR scientists, they reside in the following.

Trilateral industrial cooperation, through the combination of the economic-technical potentials of the participating countries or firms, certain economic effects arise, such as they cannot be expected from any other form of collaboration in these dimensions; this comes up in the course of tackling such big projects as often appear in the developing countries in connection with raw material exploitation and processing or the construction of complete industrial plants which at the same time are connected with tremendous costs and services for urban development and for the infrastructure development of regions.

Through sales cooperation, the knowledge contributed by the partners on the particular market conditions, the use of existing sales facilities with favorable connections, consignment stockpiles, customer service facilities, as well as commercially customary sales costs and other expenditures can be utilized with greater effectiveness. In mixed sales companies--observing the legal regulations applicable in the particular developing country--it is possible to use the profits earned for the more efficient setup of the sales organization, as well as the improvement of spare parts, supply and customer services.

In trilateral industrial cooperation, the technical-scientific performances rendered by the partners (in the product and in production technology), coupled with the particular most favorable production conditions and capacity possibilities for the delivery of certain plants, construction services, licenses, and transmission of "know how" can be used to the by far greater

economic benefit for all participants than would be possible if we only had bilateral forms of collaboration in the specific case. This involves not only capital power, technical-scientific services, product quality, production engineering, etc., as such but their cooperative application through which international division of labor, as a production force, turns out to be more effective under the concrete location and production conditions.

Advantages arise for the foreign trade of all countries because each project of industrial cooperation in the raw material or agricultural sector, in the construction of complete industrial plants or transportation roots, in the final analysis, is tied to commodity deliveries between the participating countries. One can also bring about the general expansion of foreign trade volumes--although with somewhat different weight for the individual partners in each specific deal--one can facilitate the improvement of the commodity structure and, in case of the planned utilization of available resources and the corresponding transaction of business deals, one can develop the balance sheet situation of the particular countries in a more long-term manner. The export commodity structure can be improved above all also for the developing countries by creating new export capacities for processed raw materials and industrial commodities, while deliveries of machinery and plants from socialist and capitalist countries produce profits not only from their machine exports but new purchasing possibilities are created for long-term raw material or semifinished products supply as well as for favorable imports of national products from the developing countries.

The combination of the capacities in trilateral and industrial cooperation, also to the benefit of the developing countries, opens up not only reserves which are available in the individual countries but also increases the efficiency through collaboration. This form of cooperation therefore is in keeping with the tendency that is expressed in the tie-in between the various currents of commerce. Here, significant effects of the expansion of trade between the socialist states and the developed capitalist states can be utilized for the further development of trade with the developing countries. That can be accomplished through the participation of enterprises from socialist states in the projects of companies from capitalist industrial countries in developing countries or the other way around. On the other hand, the intensification of commercial relations between socialist states and developing countries or capitalist states and developing countries has repercussions on the in-depth development of east-west trade through trilateral cooperation. Last but not least, the expansion of trilateral industrial cooperation is in keeping with the tendency to the effect that trade with industrial equipment and machines, including the required "know how," is one of the dynamic factors of world trade. That should be used for the purpose of increasing the exports of the socialist states to the capitalist industrial countries in the case of machinery and equipment, etc., wherever such supplier shipments from socialist countries are made for projects handled by the capitalist states in developing countries.

Thus, long-term agreements between enterprises from socialist and capitalist states could be utilized for opening up new possibilities for the expansion of exchange of finished products--especially exports on the part of the socialist states--but also for the procurement of raw materials, for example, from developing countries.

In this way, the developing countries could more effectively extricate themselves from their present subordination to the system of division of labor with the capitalist industrial countries; they could improve their international division-of-labor positions and they could strengthen their independence with relation to imperialism through the industrialization of their countries which can be pushed in this fashion. The socialist countries will insist here on the observance of the above mentioned democratic principles.

Trilateral cooperation predisposes that corresponding technical and technological capacities, financial resources and, in the developing countries, an adequate infrastructure are present. The current status of east-west economic relations of course means that trilateral cooperation could be developed in developing countries only in a relatively limited volume. On the other hand, problems connected with this demand that trilateral cooperation be pushed more resolutely than has been the case so far.

So far, we only have initial results and experiences in this newly developing sphere of collaboration. Thus, for example, the GDR foreign trade enterprise Invest Export and the Austrian VOeST-Alpine Montan AG, Linz, in 1975 signed a contract on the delivery of system parts for an integrated cellulose and paper factory which is being delivered to the Republic of Kamerun by VOeST. The Hungarian foreign trade enterprise Transelektro in recent years delivered generators and gas turbines from the Italian Fiat concern in connection with the equipment of complete electric power plants jointly to third markets, for example, to Iraq, Turkey, and Greece. Another example of multilateral collaboration is the consortium which was established at the end of 1976 between the FRG enterprise EVT (Energy and Process Technology, Inc., Stuttgart) and Soviet foreign trade enterprises for the complete equipment of electric power plants in Greece, in which the Hungarian Ship and Crane Works (represented by the Hungarian foreign trade enterprise Transelektro) are also involved, whereby the deliveries to be made by Transelektro alone total more than \$21 million.

The Bulgarian People's Republic has entered into agreements with FRG enterprises on collaboration in third countries of the nonsocialist economic area, for example, in Algeria, Argentina, India, Libya, Malaysia, and Morocco. Romania participated with French enterprises in the construction of a petroleum refinery in India. In 1976, the Romanians, with the British firm of General Electric, agreed upon the establishment of a joint enterprise for the sale of equipment for nuclear power plants in third countries in which the Romanian Nuclear Physics Institute is also involved. Polish contract partners are involved in the construction of fertilizer factories in Turkey with the West German enterprise of Fried. Uhde, Inc. The CSSR foreign trade association Technoexport has entered into an agreement with the Austrian VOeST on the joint construction of enterprises in third countries.

The GDR has a special interest in pushing division-of-labor processes with other industrially developed countries on third markets because the particular partner as a result of that can utilize the advantages of international specialization in a particularly effective manner.

#### Economic-Technical Relations

Within the framework of cooperation between socialist and capitalist states, collaboration in the field of scientific-technological relations continues to gain significance. In connection with the transformation of science into a direct production force, the requirements of the scientific-technological revolution also lead to the internationalization of science and technology. In view of the dimensions of science and technology attained today, no country on earth--no matter how great its scientific potential may be--can with a great degree of usefulness operate all required sectors of research and development work, specifically, neither in the fields of basic research nor in the fields of applied research. As a result of the internationalization of research and development work, it is possible to avoid duplication of effort in various countries, to arrive at research and development programs based on international division of labor, and to make mutually more effective use of research results.

As in the other forms of cooperation, exchange between countries and scientific institutions of the particular social system as priority also in the development of science and technology, that is to say, research and development under the conditions of monopoly capital and under the conditions of socialist economic integration within the CEMA. Collaboration in the fields of science and technology between socialist and capitalist countries mainly developed during the middle of the sixties but it is beginning to assume concrete forms only in the present.

According to investigations by Soviet scientists, scientific-technological collaboration includes the forwarding of scientific-technological discoveries through commercial channels (for example, through the purchase and sale of the results of scientific research efforts in the form of patents, licenses, and know how), furthermore, noncommercial relations (such as the exchange of scientific-technological publications, international exchange of scientists and engineers, free technical support), as well as international fairs and exhibits. Scientific-technological collaboration furthermore includes the conduct of joint research projects, both on a multilateral level (for example, collaboration among individual or several socialist states with several capitalist countries or with capitalist and developing countries, whereby this form of collaboration so far has been carried out only in a few cases or within the framework of international scientific-technological organizations) and on a bilateral level (such as joint participation of scientists and specialists in individual scientific projects at research centers of the other country, in contracts for the exploration of a certain topic for the purposes of the other country), as well as cooperation in the utilization of the results deriving from joint research efforts.

One special form of scientific-technological relations is participation in the activity of international scientific-technological organizations and installations (23).

The general motivations of the two systems toward collaboration became clear also through cooperation of science and technology. The socialist side is generally concerned with the attainment of a high benefit and additional growth gains for the sake of accomplishing the primary mission: the steady elevation of the people's material and cultural living standard. Capitalism is concerned with the attainment of maximum profits. But it is especially on the side of the capitalist countries that additional motives, specifically inherent in the system, play a role. Thus, all countries, primarily the leading capitalist countries, want to use the results deriving especially from Soviet basic research which is superior to western European and American research in many fields; besides, the big western European countries want to use the scientific potential of the Soviet Union for their competition against the United States in order in this way to close or reduce the "technological gap" with respect to their competitor from overseas. For enterprises in smaller western European countries, such as Finland, Austria, Sweden, etc., the utilization of the discoveries of the socialist states in many fields signify a chance for surviving in the competition with their big competitors, especially the international concerns.

At this time, we can recognize three major areas of cooperation between socialist and capitalist states in the field of science and technology; they are:

The treatment of the global problems of mankind, environmental protection, ocean and space research, etc.;

The utilization of results of those branches of research and development in which the individual countries have specialized (French firms, for example, are interested in using Soviet research projects in the fields of energy machine building, metallurgy, and heavy machine building; enterprises from Finland and Sweden use technology developed by Soviet specialists with regard to water purification in an effort to keep environmental pollution down; between the GDR and Austria it was agreed to concentrate scientific-technological collaboration primarily on the fields of soft coal extraction and refining, energy generation, and mining technology);

The prospecting for and exploration of natural wealth and its preparation and processing as well as research and development within the context of industrial cooperation. Collaboration here is taking place presently primarily through the sale of licenses, patents, etc., whereby the socialist side endeavors to increase the share of its sales, at the same time increasing its purchases. Another important role is played by joint research, experimentation, and design activities. The final act of the CSCE lists numerous individual areas and forms of cooperation which must be developed in the future (24).

## Mechanisms and Institutionalization of Economic Relations

A certain mechanism and specific forms of institutionalization have been developing gradually for economic relations between the capitalist countries and between the socialist states; they spring both from the objective economic laws and from the political and economic-policy objectives and interests of the classes ruling in each social system.

These mechanisms and forms of institutionalization, which are applied in each system, are only conditionally applicable due to the contradictions existing in the systems with regard to economic relations between the socialist and capitalist states. In past years and in the future the important thing was and will be to develop those forms which provide optimum support for east-west economic relations and which are aimed at preventing the differing social systems, the objective economic laws and work in them, and the particular applied economic-policy objectives and commercial practices from acting as a brake on growth. They must take into consideration the differences in the social-economic systems but at the same time they must start with the idea that economic relations nevertheless are taking place between opposite systems. In particular it is also important to eliminate or reduce elements of instability, uncertainty, and spontaneity in capitalism from economic relations between east and west.

Mixed government commissions were established as essential institutions for long-term trade and economic agreements; their mission is, on a bilateral level (by the way, according to the model of relations between the USSR and France), regularly to investigate the development of commercial relations as well as economic, scientific-technological and industrial collaboration between the parties to the agreements, to submit proposals for their advancement, and to coordinate the measures and activities of the participating institutions and enterprises. The mixed government commissions, which are supported by permanent or temporary groups of experts in their work, are making a significant contribution to the long-term development of economic relations.

In addition to the mixed government commissions, there is a series of other agencies concerned with general and special questions of economic relations between the participating countries, such as, for example, the USSR-U.S.A. Economic Council.

In this context we might also mention the joint chambers of commerce, whose activity, in addition to the expansion of economic relations, serves to conduct conferences, symposiums, exhibits, and the like. These installations constitute a comprehensive set of economic instruments used in the accomplishment of the major tasks which arise today and through them one can at the same time take into account the fact that economic relations between countries having different social systems require special organizational instruments.

A new problem in the institutionalization of economic relations springs from the growing number of agencies established by western firms in socialist countries. Through their policy, the socialist states are complying with the provisions of the final act of the CSCE by taking measures designed further to improve conditions for the expansion of contacts between the representatives of government agencies and the individual organizations, enterprises, companies, and banks serving foreign trade. Such measures are aimed, among other things, at opening new offices, at improving working conditions, at making hotel accommodations available, providing means of communication and normally required services and facilities as well as suitable office space and living quarters for the permanent agency representatives. One important prerequisite for this is being created in a number of capitals of socialist countries, such as, in Moscow, Berlin, Prague, Budapest, etc., through the establishment of international trade centers which are emerging as such a new institution for the promotion of east-west trade.

One problem in the further institutionalization of economic relations between socialist and capitalist countries is the possible establishment of international centers for trade between socialist and capitalist countries. They can address themselves not only to questions of commerce, cooperation, and information, but they can also handle financial transactions involved in east-west trade (East-West Commerce Bank).

At this time, relevant information and data are collected mostly bilaterally by the business partners (plants, foreign trade enterprises) themselves and the same applies to the handling of offers and requests, the initiation and handling of business deals and projects; but this is also done through scientific, commercial, or government institutions or, to a modest extent, by international organizations, such as the ECE, the EC, etc., which are active in large numbers and many different ways. The need for a concentration of such activities on a multilateral basis, in which interested countries, organizations, and enterprises could participate to a degree desired by them, however, emerges more and more clearly, specifically, through the expansion of relations, the intensification of their forms, and increasing multilaterality. There is a rather interesting proposal for establishing an international coordination center for the problems of collaboration among socialist and capitalist countries in the industrial, scientific, and technological areas; it would have the mission of gathering relative information and making it accessible to the particular states and firms, drafting legal regulations and the most promising directions of cooperation, organizing consultations on available possibilities, and conducting similar activities (25).

#### IV. Prospects of Collaboration Between Socialist and Capitalist States

In case of the continuation of present tendencies in world politics and in international economic processes, one can expect a further expansion and intensification of relations between socialist and capitalist states in the economic area. This anticipated development--which however can be

influenced by antidetente activities conducted by politically influential circles in imperialist countries and also by inhibiting factors--is based on the following closely intertwined processes and problem statements.

New developments in the production forces, primarily those which are connected with the unfolding of the scientific-technological revolution, press toward the further internationalization of all economic life. The nonproductive sectors of the economy are also increasingly involved in this development. The internationalization of economic life leads to new economic, scientific-technical, and technological dimensions.

Global, universal problems of mankind must be mastered and they touch and concern everyone. Here it must however be stressed once again that they are not global in terms of their causes, but, as far as their present scope and their significance for the existence and development of mankind are concerned, they are the result of the effects deriving from capitalist society, primarily in its later stage (environmental and food problems, the still existing spread of dangerous diseases, etc.). These global problems, which presently still assume increasing significance, can be solved less and less within the framework of individual states or groupings of states and they cannot be solved either by the states of one social system only.

The general levels of the international dispute between socialism and imperialism emerge increasingly clearly in the sectors of the economic competition between the two social systems. Important factors therefore particularly are the volume of production and the level of the produced national income, the efficiency of economic and scientific-technological processes, the level of labor productivity and--as a decisive magnitude--the scope and manner of satisfaction of the material and cultural needs of the people and their way of life.

The continuation of the political detente process can be considered to be the main tendency in relations between socialist and capitalist states. The determinations of the CSCE form a good foundation above all for a more intensive implementation of the principles of peaceful coexistence in relations between the USSR and the United States and in the transition to military detente--although activities running in the opposite direction must not be overlooked.

One can expect a further change or adaptation of the west's general economic strategy with regard to the activities of the socialist countries, where the principle of isolation of the latter will be replaced by the principle of expanding economic relations with them and will be embedded in the imperialist detente concepts.

Other interests, specifically inherent in the system, both in the socialist and capitalist countries, will take shape especially in Europe in order to make more effective use of the advantages arising from international division of labor and from the implementation of projects of an all-European or multi-

lateral. The long-term political objectives, which each system pursues, continue to exist.

From these developments one can recognize some concrete fields and problems of future economic collaboration which we will go into here.

#### Development of Economic Collaboration Under Conditions of Two Different Types of Integration In Europe

Future economic collaboration in Europe will be taking place not only in view of the existence of two social systems but also under the conditions of economic integration processes, both under socialism and under imperialism. These two integration types, institutionally embodied by the CEMA and the EC, differ basically in terms of their class foundations and objectives; both of them, to be sure, get their impulses from the development of the production forces but represent the opposite reaction to them, that is to say, on the one hand, the socialist and, on the other hand, the capitalist reaction, which is something that must be taken into account in its totality in terms of future developments.

Within the framework of integration, there is taking place a further approach among national economies, a higher level of internationalization of economic life due to the development of the production forces, especially with regard to the requirements which the scientific-technological revolution creates for the production forces. More profound economic contacts and a lasting division of labor are also taking shape in eastern Europe and in western Europe and this leads to the creation of international economic organizations. These developments are subject to regulations by certain institutions (community agencies, governments, economic organizations or units) which consciously guide and coordinate integration. As a result of integration there are essential structural changes in the economies of the national states; new economic relations and proportions arise between the states that operate within the framework of an integration grouping, as a result of which they seek to increase the efficiency of social labor.

Integration thus has its objective foundation in the developmental conditions of the moderate production forces which press toward the expansion and in-depth development of international division of labor. But because the production forces can exist and grow always only in a close reciprocal relationship with the particular production conditions and because both of them are in a specific relationship to the social superstructure, we find that the essence, the content, and the forms of integration, the driving forces for its implementation, and the social goals are always determined by the character of the particular social system which is predetermined by the property ownership conditions and the social power conditions.

Accordingly, socialist economic integration among other things is characterized by the following fundamentals and principles: Socialist ownership of the means of production, socialist planned economy, goal-oriented utilization of the economic laws of socialism, common socialist basic interests on the

part of the participating socialist states primarily in the social-economic, political, and ideological areas. The goal of integration is the satisfaction of the growing material and cultural needs of the people in socialist society, last but not least, the all around strengthening of socialism. This is what the socialist integration mechanism is working toward.

Consolidation of the community of socialist states means the development of basically new relations between the countries, relations which are based on the principles of socialist internationalism, true equality, respect for independence, and comradely mutual aid. At the same time, socialist integration has a stabilizing effect on the entire international situation; it promotes the consolidation of peace and international security. All of this is in keeping with the interests not only of the socialist countries themselves, but also those of all antiimperialist forces and the interests of the revolutionary struggle throughout the world as a whole (1).

On the other hand, capitalist integration will in the future likewise be marked by the following fundamentals and principles: Rule of monopoly-capitalist property ownership and constant attempts, with the instrument of state monopoly regulation, to counteract the repeatedly and openly exploding conflicts between monopolies or monopoly groups and the imperialist states with their selfish goals aimed at profit and power, without however being able to overcome the centrifugal forces. The purpose of this integration is to create the most favorable conditions for the action of the monopolies.

The mechanism of capitalist integration is based on the close blend of the power of the monopolies and of the imperialist state into an overall mechanism for the purpose of ruling society. The profound, basic differences in the class content, in the two types of integration, clearly tell us that integration between socialist and capitalist countries is impossible also in the future even in case of considerably more developed collaboration.

The social essence of the CEMA and the EEC, as we proved before, is quite opposite and the basic position toward the third states and toward collaboration with states in the other grouping is as diverging. The socialist states and their economic grouping believe that the development of objective relations with the capitalist states and their economic groupings, as well as economic and scientific-technological collaboration are possible and lawful, although for them, economic integration within their own system, has priority on essential issues. Furthermore they start with the idea that collaboration between the states of the two European integration systems is in keeping with the general historical tendency toward the internationalization of economic life. Where this basic concept determines policy in a specific integration grouping, integration promotes not only development within the integration community but also economic collaboration with states that do not belong to this economic body, specifically both with countries in another integration grouping and with those countries that cannot be included among any grouping.

The in-depth development of the division of labor in an integration community, the higher degree of specialization and the resultant possible faster development of the production forces as well as the abilities of the national economies of the countries to be more effective in terms of division of labor--these promote production, foreign trade, and other forms of economic collaboration with third states. Accordingly, the CEMA appears as an organization promoting world trade and economic collaboration. Its charter contains not a single discriminatory provision. The CEMA countries or the CEMA are not engaging in any discriminatory foreign trade. Moreover, the preamble of the CEMA charter expresses the readiness of the member countries to develop economic relations with all countries regardless of their social and governmental systems on the basis of equality, mutual advantage, and noninterference in their internal affairs. Any country in the world can become a member of the CEMA, regardless of its social system. Article II of the CEMA charter says: "Admission as council member is open to other countries which subscribe to the goals and principles of the council and which express their agreement to take upon themselves the duties contained in this charter" (2).

This idea is spelled out further in the complex program of the CEMA countries: "In agreement with their policy of peaceful coexistence and for the sake of social progress, and starting with the idea that international socialist division of labor is taking place against the background of worldwide division of labor, the CEMA member countries will further develop economic and scientific-technological contacts with other countries regardless of their social and government systems on the basis of the principles of equality, mutual advantage, and respect for sovereignty" (3).

This policy of economic collaboration has contributed to a situation where the CEMA countries--whose economic capacities grew considerably primarily thanks to the efforts of the workers in each individual socialist country and as a result of the increased utilization of the advantages of socialist economic integration--were able considerably to increase the volume and share of their trade with capitalist countries, especially with the EEC states.

On the other hand it is clear (see especially chapter II) that the EEC is hindering world trade and above all economic relations with socialist countries (4). The late French president Pompidou generally brought up the problem of growth in the EEC as an obstacle to collaboration with states in eastern Europe. Western European integration, he said, must "not hinder the development of economic, technical, and commercial relations between the two parts of our continent--a development which, in the final analysis, proves to be one of the factors for the reduction of tensions and the guarantee of security" (5).

One must accordingly realize that relations between the countries of the two economic groupings can progress satisfactorily only if all discriminatory provisions are dropped and if the EEC likewise develops into a community promoting international trade, a community which does not discriminate against anybody. Under these conditions, one can also find possibilities for suitably

arriving at collaboration between the organizations of the CEMA and the EEC and reduce or entirely lift the obstacles springing from the EEC. The development of objective relations between the two types of integration--wherein the general historical tendency toward the internationalization of economic life is expressed--is possible and lawful. But here it must be kept in mind that collaboration within the systems will retain priority.

At their 27th conference in Prague, between 5 and 8 June 1973, the CEMA states had already proposed the expansion of mutually advantageous economic and scientific-technological relations between states with opposing social systems. They clarified their view to the effect that existing economic relations between the countries should be supplemented by forms of equal contacts between the international economic groupings existing in Europe. The time has come to enter into treaty regulations between the EEC and the CEMA. This involves treaty regulations on general questions of cooperation between the leadership bodies of the CEMA and the ECE as well as bilateral regulations for specific trade and economic relations between the CEMA states and the EEC countries.

Furthermore, the weakness of the EEC, in securing the conditions needed for the development of the production forces, which among other things is expressed in the energy crisis and even more so in the raw material supply crisis, shows that the western European integration grouping runs into limitations when it comes to the internationalization of economic life and the growth of the economy. These restrictive factors will emphatically alert the EEC to the fact that integration, to be sure, on the one hand, is an expression of adaptation to the requirements of the production forces and thus represents one form of their internationalization which, in spite of strong contrasts, has assumed an irreversible character. On the other hand however the restriction of EEC integration to the narrow regional western European framework finds itself in conflict with the worldwide tendency toward the internationalization of production. Capitalist integration therefore constantly moves within a contradiction between its regional interests and the "global" interests although the participating countries realize increasingly that the internationalization of economic life demands increasing collaboration with the socialist countries.

The larger dimensions in economic collaboration toward which all European states, as well as the United States and Canada are working in the final act of Helsinki--such as the implementation of all-European projects, multi-lateral projects, etc.--also demand orderly and effective relations between the CEMA and the EEC. Here we must start with the idea that progressing internationalization within the two economic groupings, which at the same time represent different types of integration, should not be an obstacle for developing objective relations and for economic collaboration between the CEMA and the EEC and their member countries which would be fruitful for all parties involved.

These considerations constitute the foundation for the proposal advanced by the CEMA in February 1976 to enter into an agreement between the CEMA and its member countries, on the one hand, and the EEC and its member countries on the other hand--something to which the EC authorities so far have reacted in an entirely insufficient manner (6).

In view of the present tendency in EEC policy, we find that the future strategy of the CEMA countries must also be based on a more elastic combination of multilateral and bilateral relations with the EEC states. The establishment of truly equal relations between the countries of the CEMA and those of the EEC makes it necessary to find certain forms of general contractual regulation of these relations on the level of both groupings. At the same time however it is also important to preserve those advantages which accrue to the socialist countries from their active bilateral relations with the EEC countries not only in the field of commerce but also in other, particularly promising fields of economic and scientific-technological collaboration.

In the implementation of such a strategy, bilateral relations between the individual CEMA and EEC states would develop on the foundation of the principles adopted at the Helsinki conference and any possible agreements between the CEMA and the EEC. The content of bilateral relations could involve concrete trade and economic questions, credit and other financial problems, as well as individual projects and objects. In such a case, coordinated action by the socialist countries will also be necessary in the future in order to enhance the effectiveness of the appearance of the socialist countries on the western markets. The development of forms and methods of mutual relations between the CEMA and the EEC is likewise influenced to a considerable degree by the continual coordination of the action, initiative, and activity of the CEMA states.

For the normalization of relations between the agencies of the integration groupings it is necessary to emphasize the following basic principles which result from the interests of the countries of the community of socialist states:

Recognition and application of general principles of collaboration between socialist and capitalist countries as well as between the CEMA and the EEC on the basis of the principles of the final act of Helsinki;

Reduction and ultimate elimination of discrimination; application of the principle of most-favored nation status as well as execution of a customs duty and commercial policy in keeping with the principles of collaboration;

Modification of trade-policy procedures between the two groupings, including the creation of a system of preferences with the goal of promoting mutually advantageous collaboration;

Taking measures to expand and stimulate industrial, financial, and scientific-technological collaboration between the socialist and capitalist countries of Europe;

Utilization of practical possibilities for the purpose of combining the efforts of the member states of both groupings in the solution of all-European problems in the field of energy, the extraction industries, transportation and telecommunications, scientific research, environmental protection, including specific projects for all-European collaboration.

As one of the most important steps toward collaboration, the EEC should accept the idea that both sides should, on the basis of granting full-fledged most-favored nation status, initiate all corresponding measures in order to support the expansion of trade between their member countries on the basis of nondiscrimination and mutual advantage as well as to regulate or investigate other problems in economic relations. That would include, among other things, questions of trade with agricultural products, where there should be no one-sided artificial restrictions, standardization, statistics, economic forecasts in the field of production and consumption, information exchange, the organization of conferences, seminars, etc. The joint study of foreign-exchange and finance questions would also be significant in an effort to find solutions which would serve the steady development of commodity sales.

Such an agreement, which should practicably be entered into, on the one hand, by the CEMA and its member countries, and, on the other hand, by the EEC and its member countries, naturally does not exclude the possibility of entering into special bilateral and multilateral agreements between the CEMA member states and the agencies of the EEC, between the EEC member countries and the agencies of the CEMA, as well as between their competent economic organizations.

The conclusion of such an agreement would be a common positive contribution of both organizations to the expansion and consolidation of mutually advantageous economic relations based on equal rights. It would be a step toward the materialization of detente, toward the consolidation of peace in Europe, and toward the implementation of the ideas of all-European collaboration. The EEC bears the responsibility for making sure that the organization of comprehensive collaboration between the organizations and the member countries of the integration groupings, in this sense, will not be delayed any longer.

#### Areas and Projects of Economic Collaboration In the Light of the CSCE Determinations

Economic relations between socialist and capitalist states will, as a result of the CSCE, expand quantitatively and will be developed also qualitatively in depth, in case of the continuation or future intensification of the detente process--and this will be expressed in various ways (7).

Further economic collaboration will--under the condition of the growing interest and greater efforts of all participants and with a simultaneous reduction of inhibiting factors by the capitalist states--lead to considerable progress in foreign trade, through which the implementation of commodity movements between east and west will also take place in the future. In the course of the international discussion conducted on that point, the socialist

side, for example, Soviet authors, believe that, during the coming years, an annual growth in the foreign trade volume, between socialist and capitalist states, amounting to between 11 and 13 percent, would be entirely realistic. If we start with the assumption that this trade in 1975 came to about \$60 billion, then reciprocal trade in 1980 (based on 1975 prices) could be about \$80-90 billion and in 1990 it might come to about \$240-260 billion. But there are calculations by scientists based on an even more optimistic forecast. The demands for the expansion of trade relations, both in terms of general provisions and statements on "business contacts and business opportunities" as well as the "Report On Commerce And Economy" and "Trade Promotion"--which are spelled out in the final act of Helsinki--are aimed in this direction.

One can furthermore expect the promotion of new forms of cooperation, like the forms of compensation and industrial cooperation already discussed in the third chapter.

A new field in east-west cooperation, which will continue to gain significance in the future, is collaboration on third markets, particularly in developing countries. It would be necessary to examine where the prerequisites and possibilities of the partners in the CEMA countries and in the capitalist states supplement each other in order to carry out major projects in developing countries which would help promote their economic growth. This form of cooperation would be particularly useful for long-term collaboration in the field of machine-building, the delivery of complete systems and equipment units, as well as scientific-technological collaboration, in order in this way likewise to achieve changes in the structure of exports of the CEMA countries. In this field however we have little experience as yet. This must become a field of creative considerations.

This development of forms of collaboration will go hand in hand with the expansion of the sectors and the intensity of this collaboration (8).

For economic relations between socialist and capitalist countries, the relevant questions therefore consist in working out the areas of applied research, which stimulate industrial collaboration, making a more thorough study of technological objectives, longer-term investment goals, and programs of the partners, developing considerations and proposals aimed at transforming the mechanism and the institutions of international economic relations into a set of instruments that will promote cooperation.

The following looked particularly good as fields of future collaboration for the second half of the seventies and for the eighties:

Development or coordination of joint investment programs for the relevant fields in both sectors of Europe but also other longer-term programs of economic, scientific, and technical development with the goal of optimizing the national economic structures in the continent's east and west;

Extraction and processing of raw materials and energy sources;

Procurement of energy, including construction of atomic power plants and solution of the problems of energy transport over longer distances;

Industrial collaboration particularly in the areas of machine-building, chemical industry, electrotechnology and electronics, in vehicle and power plant construction, as well as in the essential foods industry;

Problems of transportation, miscellaneous services, and the environment;

Promotion of the exchange of experiences in the solution of scientific-technological problems, in connection with licenses and patent proceedings as well as the exchange of other relevant information;

Drafting of regional programs for collaboration in Europe's various sub-regions (Northern Europe, Central Europe, the Balkan).

One decisive criteria on our future cooperation is the establishment of long-term, stable connections of international division of labor in particularly important fields.

It must furthermore be kept in mind that the multilateral character of collaboration will be further accentuated. This involves joint international projects in which the partners of several socialist and capitalist states participate simultaneously.

Multilateral collaboration in the leading industry branches and in the area of the infrastructure opens up new possibilities for economic and social progress in the particular states. It is aimed at comprehensive business transactions and best corresponds to the requirements springing from the scientific-technological revolution.

Multilateral collaboration will play an even greater role in the solution of problems of continental significance. The solution of these problems calls for a fundamentally new approach to various aspects of long-term collaboration among states under both social systems. Difficulties in the organization of such collaboration basically spring from the differing social motivations of the partners but also to a great extent from the lack of corresponding experience in the planning and cooperation of partners from socialist and capitalist countries in connection with joint undertakings going beyond the framework of national or regional boundaries. The financing of comprehensive multilateral projects is likewise a problem that would have to be solved in the future.

One important direction, rich in prospects, in the mutually advantageous multilateral collaboration of the socialist and capitalist states of Europe will be represented by scientific-technological relations. The scope and status of collaboration attained in this field by far does not yet corres-

pond to the objectively existing possibilities. The development of all-European scientific-technological collaboration is necessary not only because the countries of western and eastern Europe are interested in speeding up scientific-technological progress, but also because the coordination of joint efforts in this field would considerably facilitate the accomplishment of these tasks. In this connection the following must be emphasized:

The more effectively the integration of the CEMA countries is developed in the field of science and technology, the more goal-oriented they are in coordinating their research work and their scientific-technological and licensing policies, the more fruitful and production will scientific-technological experience exchange and collaboration of the socialist countries of Europe with the capitalist countries turn out to be.

The resolutions of the CSCE create favorable opportunities for the expansion of scientific-technological relations. Comprehensive areas for cooperation on a bilateral and multilateral foundation are mentioned in the section entitled "science and technology":

Agriculture (increase in the productivity of field cultivation and livestock industry, application of chemicals, construction and utilization of agricultural machines, etc.);

Energy (new technology and methods, energy transmission);

New technological procedures, efficient utilization of resources (research on new technical methods and equipment);

Technology and transportation (research on transportation equipment and the technology used in the development and operation of international, national, and urban transportation networks, including container transport and traffic safety);

Physics (investigation of problems of high-energy physics and plasma physics, research in the field of theoretical and experimental nuclear physics);

Chemistry (practical application of the latest achievements of chemistry in industry, in construction, and in other economy branches);

Meteorology and hydrology (hydrological forecasts);

Oceanography (investigation of reciprocal interaction between air and ocean);

Seismological research (prediction of earthquakes and exploration of technical procedures for earthquake-proof buildings);

Exploration in the field of glaciology, permafrost, soils, and problems of living in cold climates;

EDP, communications and information industry;

Space research (exploration of space with the help of satellites and rocket probes);

Medicine and public health (research on cardiovascular, tumor, and virus diseases, neurophysiology, etc.);

Environmental research.

Future cooperation also enables us to look forward to the further expansion or the increased efficiency of institutional activities. That concerns first of all institutionalization in connection with the organizations of UN. Collaboration between socialist states and international organizations is at this time developing very positively in this field. The Economic Commission of the United Nations for Europe (ECE), which was founded on 28 March 1947 and which includes ten socialist states, twenty capitalist countries of Europe, as well as the United States and some other countries, plays a special role here.

During its existence, the ECE solved many complicated and difficult problems of a scientific-technological and economic nature within the framework of cooperation among the states of eastern and western Europe. The positive lessons learned by the ECE could also be used by other regional institutions of the UN, for example, UNESCO, UNCTAD, UNIDO, ILO, and WHO. Many of them, in their work so far, have not been giving enough consideration to the status and scope of multilateral collaboration in Europe. The final act of the CSCE says that it is necessary to examine "in the ECE, possibilities for an expansion of multilateral collaboration, considering models for projects and research which are used in the various international organizations and for the conduct of conferences, symposiums, as well as study and working groups."

Current and longer-term questions of commerce, cooperation, energy exchange, transportation, and environmental protection are being discussed by commission experts at this time.

The treatment of important questions of collaboration in Europe and, simultaneously, a higher form of institutionalization can be found in the proposal submitted by the Soviet Union to the effect that all-European congresses and conferences be held on the governmental levels for collaboration in the fields of the environment, transportation, and energy. The initiative for the implementation of all-European congresses and conferences on the government level was up for debate at the 31st conference of the ECE in April 1976 in Geneva. The socialist states supported and a series of other states welcomed the Soviet proposal. The conference adopted a resolution emphasizing the significance of problems put up for discussion by the Soviet Union and supported a recommendation to the governments of the ECE member countries carefully to examine the Soviet initiative. Soviet proposals are presently

being discussed also during the conferences of experts in the various bodies of the ECE.

The existing mechanisms, such as mixed government and specialized commissions, as well as joint chambers of commerce and economic councils, should be further developed as instruments of east-west collaboration for higher-level tasks and should in certain cases be made more effective.

The basic orientations for economic collaboration approved in Helsinki as we know produced an extraordinarily positive echo in all participating states. Nevertheless we must start with the idea that there are still some significant forces in the capitalist countries which are trying to step up their activities aimed at counteracting the development of collaboration. The united strength of the states of the socialist community, in alliance with all forces oriented toward detente, however, will enable reason to prevail in the future likewise.

"The document which we signed," noted L.I. Brezhnev, "is a broad but very clearly outlined platform for unilateral, bilateral, and multilateral actions by states over periods of years and perhaps even decades. What we have attained however is not the maximum. Today, it is the maximum of what is possible; but tomorrow it must be the point of departure for further progress in the directions spelled out by the conference" (9). During the next coming years it will therefore be important to translate the resolutions of the Helsinki conference into action for the sake of further collaboration in Europe and the consolidation of the foundations for the future process of detente.

#### Some Conclusions on the Foreign Trade Policy of the CEMA Countries

The main direction, along which the socialist countries are working in the system of international division of labor, as we underscored before, is the development of mutual collaboration and the in-depth development of socialist economic integration. This general line for the present and the future is laid down above all in the complex program of socialist economic integration. It is an expression of the fact that the national interests of each individual CEMA country are basically in agreement with the general interests of the entire socialist community.

On the basis of so important a principle as the principle of socialist internationalism, it will, over the next several years, be above all important to elevate the collaboration of the CEMA countries to a higher stage. The CEMA countries are oriented toward drafting and implementing long-term target programs, developing joint efforts in depth, in order to meet the rapidly rising requirements for energy, fuels, and important raw materials, more completely to meet the growing demand for essential foods and industrial consumer goods, raising the production of equipment and systems, especially machine-building, to a higher level, and further developing the communications industry. This involves not only the development of every socialist national economy on the

basis of comradely aid, brotherly collaboration, and mutual advantage, but also the accomplishment of the simultaneous political task of strengthening the material foundation of the socialist community (10).

The most recent party congresses of the communist and worker parties of the socialist countries adopted corresponding resolutions on this. For example, the SED program, which was adopted at the ninth congress of the SED states the following: "The SED assigns outstanding significance to the further in-depth development of socialist economic integration of the CEMA member countries. This is a decisive requirement for the steady economic and social development of the German Democratic Republic. The further, steady, in-depth development of collaboration between the GDR and the USSR plays a decisive role here.

"The socialist economic integration of the CEMA member countries is in keeping with the joint responsibility of the CEMA member countries for the development of socialism. It is an important means for combining the economic and scientific potential of the socialist states according to plan and guaranteeing proportional development. It advances the development of the international socialist economy and strengthens socialism in economic competition with capitalism. The GDR will continue to make an effective contribution to the in-depth development of the economic and scientific-technological collaboration of the CEMA member countries" (11).

In accordance with the coordinated program of further collaboration among the CEMA countries, the communist and worker parties of the socialist countries laid down the main development lines and the most important steps toward the implementation of that program. The previously mentioned SED program states that it is in favor of:

"The full utilization of the advantages of international division of labor and cooperation, which is a fundamental prerequisite for the increase in the effectiveness of economic activity, for the perfection of the production structure,

"The gradual development of an integrated fuel and energy industry which would correspond to the interests of the community of socialist states and which would guarantee the most effective coverage of the rising requirements of the CEMA countries,

"The coordinated development of machine-building, the consumer goods industry, and other important branches of the national economy,

"The in-depth development of specialization and cooperation in research and production on the basis of common long-term programs" (12).

All of these observations once again underscore the fact that socialist economic integration is and remains the indispensable foundation also for

the development of economic relations with the capitalist industrial countries. The further consolidation and development of socialist economic integration therefore also essentially influences the foreign-trade interest in economic relations with the capitalist countries. Economic collaboration with the capitalist industrial countries therefore can today--and certainly in long-range terms--be developed only through the full observation of the interests of socialist economic integration which at the same time means that one must strive for improvements in the foreign-trade mechanism and in the production of the CEMA countries which is intended for export; these improvements can be summarized as follows.

At the conferences of their appropriate social and government leadership bodies, the socialist countries decided for the next several years that, for example, the enterprises of industry and foreign trade should do an even better job in adjusting to the actual requirements of the foreign markets. They stressed the need for higher output quality, more efficient technical parameters, and also higher utility values in export commodities. They demand an improvement in market activities, perfect servicing, and rapidly and precisely operating customer service. The enterprises of the socialist countries will be oriented toward a better structure and higher profitability of their foreign trade also through cooperation. To be sure, we also need more joint actions by enterprises from socialist and capitalist countries in the form of industrial cooperation and by making experiences from the sales organizations in western countries available in order to expand the range of saleable products and to facilitate sales or to open up new markets for traditional products and for new products from socialist countries.

It would be in the interest of the capitalist partners to step up their efforts in order to determine the purchasing possibilities of the CEMA countries and to discover suitable cooperation partners, whereby they from the very beginning must take into account the specific effects of the government foreign trade and foreign-exchange monopoly.

Special points of orientation are established here for socialist market work in its full multiplicity. New tasks arise for the political-ideological direction of this effort (13). For the CEMA countries it is furthermore important with full consistency to accomplish the tasks which have already been adopted with regard to their activities with the capitalist countries through the complex program or on its basis. In discussion among CEMA experts it turns out that the further drafting of joint foreign-trade strategy of the CEMA member countries, including the development of the mechanism for the coordination of their interests and activities, assumes more and more significance. The task of improving the coordination of foreign-trade activity between the countries of the socialist community for the sake of greater effectiveness in economic relations with the capitalist countries is increasingly moving to the focus of attention. Here we might mention some of the other problems to be solved in this connection, problems which were likewise discussed:

The drafting and the determination of long-term profitable structural lines for development of exports and imports in connection with production specialization and cooperation (from research via development all the way to sales);

The acceleration of the planned development of specialization and cooperation, of research and development with respect to coordinated structural lines and with the help of joint plans and obligatory contracts, in order to increase the export capacities and competitive capability;

The coordination of the export and import plans for the most important commodity groups and the principal geographic and trade directions;

The perfection of the coordination of national economy plans, policy for technique and technology, investment programs and the utilization of domestic resources within the framework of the CEMA, in order to handle imports from capitalist countries in a more goal-oriented fashion;

Drafting a joint program for the development of export resources of the CEMA countries in the most promising industry branches; founding of joint export enterprises;

Intensification of information and experience exchange in order to avoid export losses due to currency crises and inflation; greater cooperation among foreign trade banks and other institutions with regard to the utilization of information on capitalist foreign currency markets (exchange rate fluctuations, favorable credit terms, profitable transfer possibilities);

Drafting a basic position on the sources of financing for collaboration;

Further investigation of the conditions and possibilities of license production programs and industrial cooperation efforts between CEMA member countries and capitalist states;

Questions of the multilateral activity of the CEMA countries with capitalist industrial firms, creation of a joint sales and credit infrastructure in western Europe, collaboration with third countries, projects of all-European significance (energy, petroleum, natural gas, environmental protection, research, also involving developing countries);

Collaboration of CEMA countries in the establishment of sales, purchasing, and service organizations in order to find more efficient solutions;

Coordinated action by CEMA countries in dealing with big concerns in order to increase political and economic effectiveness (in connection with commodity exchange, in scientific-technological collaboration, etc.);

Exploration of optimum enterprise structures and magnitudes in order to develop those forms which are suitable for the implementation of certain foreign trade interests of the CEMA countries (including joint commercial companies);

Creation of centers for cooperation and licenses, export and import bureaus (14).

#### Joint Program of Warsaw Pact States

The countries of the community of socialist states, which are in full agreement on all general questions of their foreign policy, consider the CSCE to be an international event of historical significance, specifically, primarily for the historical process of detente in Europe and beyond. In recent years, all communist and worker parties of the CEMA member states during their party congresses adopted the further continuation of their struggle for the implementation of peaceful coexistence and collaboration in the field of economic relations.

This long-range task was included in the "Program of The Socialist Unity Party of Germany" at the ninth congress of the SED with the following words: "The struggle for social progress and socialism and the struggle for peaceful coexistence among states with different social systems form a unit. The implementation of peaceful coexistence restricts the leeway of the aggressive forces of imperialism. It creates more favorable external conditions for the buildup of socialism and communism, for the struggle for international security and disarmament, for the unfolding of the struggle of all revolutionary and peace-loving forces for peace, democracy, and social progress" (15).

At the same time, collaboration with capitalist industrial states was declared to be a trend-setting task. The SED program has this to say on this point: "Based on close economic collaboration in the community of socialist states and guided by the endeavor to fashion relationships of peaceful coexistence between states with different social systems, economic relations will be developed with the capitalist countries" (16).

The general basic orientations of the individual socialist states for the development of their relations with the capitalist industrial countries, however, are laid down by no means only in the public events of the parties and governments or in bilateral documents of the socialist partners who are held together by brotherly bonds. More clearly than ever before, the Warsaw Pact countries in November 1976 in Bucharest, in a joint, trend-setting document, underscored the fact that, just like foreign policy, they also fashioned their policy on the fundamental issues of economic relations with the capitalist countries in full agreement. As indicated in the declaration (17), they start in their program concept, from the following:

First of all, they start with the idea that the expansion of multilateral collaboration among all countries and peoples of Europe is a sure way to the consolidation of the foundations of peace on the continent and that much has already been achieved on that road. The level of economic collaboration of the states on the European continent, including between states with differing social systems, is today higher than ever before. Experience confirms that the development of relations in the field of commerce, industry, science, and

technology corresponds to the interests of all states and gives significant impetus to economic progress and the improvement of the living conditions of each nation.

Second, they are not satisfied only with noting positive achievements but are alerting all governments and people to the fact that by far not all possibilities for mutually advantageous collaboration in this sector are being used at present.

Third, the Warsaw Pact states agree in their estimate of the difficulties which are being piled up by the capitalist states. Thus they note that attempts are being made not infrequently to turn economic relations into an instrument of political pressure exerted by some countries on others. This goal is pursued particularly by some capitalist countries who, in trade with socialist countries, maintain discriminatory restrictions dating back to the days of the Cold War. The further development of mutually advantageous economic relations demands that these artificial obstacles be removed and that elements of inequality be completely done away with. In the final act of the Helsinki conference--they emphasize--all signatory states recognize the advantageous effect which the application of the principle of most-favored nation status to the development of commerce can have. According to the Bucharest conclusion, the peoples expect that this recognition will be followed by practical deeds on a reciprocal basis. One must also take into consideration the recognition of the specific problems arising from differences in the economic development of the European countries--a recognition which was likewise contained in the final act.

Fourth, the countries of the Warsaw Pact are submitting new constructive proposals to how mutual economic relations can be improved and they declare their firm intention "to promote the further development of all long-term and comprehensive collaboration with all other interested states on a bilateral and multilateral foundation, including such forms as cooperation and specialization of production, of science and technology, and in the form of compensation transactions. The establishment of equal objective relations between the CEMA and the CEMA member countries, on the one hand, and the EC and the EEC member countries, on the other hand, would be in keeping with their mutual interests" (18).

While the community of socialist states thus figures that the developing new international political and international economic processes represent important objective foundations for the unfolding of economic collaboration with the capitalist industrial countries, it does not fail to note the endeavor of certain forces to exploit the development of these relations for purposes which are directed against understanding and friendship between peoples and which are aimed at interference in the internal affairs of the states. By resolutely rejecting this hopeless way, the socialist states simultaneously emphasize that goodwill and equal approach by everybody to the solution of problems will be beneficial to peaceful coexistence and economic collaboration.

## FOOTNOTES

### Introduction

1. In this connection, see M. Schmidt (with the collaboration of J. Nitz), "Economic Relations Between Socialist and Capitalist Countries In The Light of New International Political and Economic Processes," IPW-Berichte, Berlin 9, 1976, pp 2ff.; "Allgemeine Krise des Kapitalismus--- Triebkraefte und Erscheinungsformen in der Gegenwart," Berlin 1976; G. Kohlmei, "On Some New International Economic Developments," "Neue Entwicklungstendenzen in der heutigen Weltwirtschaft," Berlin 1976; N. P. Shmelev, "Socialism and International Economy," IPW-Berichte, 1, 1977, pp 31ff.; A. Pokrovskiy, E. Malkov, "International Economic Relations During the Seventies," MEZHDUNARODNAYA ZHIZN, Moscow, 3, 1976, pp 53-63; E. Pletnev, "The Vital Force of Lenin's Ideas of International Economic Relations," KOMMUNIST, Moscow, 6, 1976, pp 109-119; G. Hinkel, "Factors Promoting Economic Relations Between Socialist and Capitalist States," DEUTSCHE AUSSENPOLITIK, Berlin, 6, 1976, pp 852ff.
2. See "For New Results on the Way of International Detente, for the Consolidation of Security and Development of Collaboration in Europe-- Declaration of the Warsaw Pact States," NEUES DEUTSCHLAND, Berlin, 27-28 November 1976, p 3.
3. See "Final Act Of CSCE," in NEUES DEUTSCHLAND, 2-3 August, 1955.
4. See "For New Results...", loc. cit., and H. Soelle, "Speech to the Fourth Conference of the UNCTAD in Nairobi on 10 May 1976," DDR-AUSSENWIRTSCHAFT, Berlin, 27, 1976, Supplement, p. 20.

### Chapter I

1. See L. Maier, "Present-day Capitalism and Current International Developments--New Tendencies and Phenomena," IPW-BERICHTE, Berlin, 11, 1975, pp 2ff., and A. Martin, "On Relations Between Economics and Politics In the Implementation of Peaceful Coexistence," IPW-BERICHTE, 1, 1977, pp 21ff.; for the essence of economic relations, see also J. Nitz, "On the Character of Economic Relations Between Socialist and Capitalist Countries," IPW-BERICHTE, 10, 1975, pp 18ff., and "Character and Tendencies of Commerce and Economic Cooperation Between CEMA Member Countries and Capitalist Industrial Countries" ("Theses on Discussion in the Scientific Council for Socialist Economic Integration," prepared by G. Schaarschmidt, P. Freiberg, W. Nicolai, J. Nitz, S. Wenger, H. Weser), Berlin, December 1976, conference material.
2. For problems of internationalization of economic life and international economy on which these statements are essentially based, see N. P. Schmelev, "Socialism and International Economy," IPW-BERICHTE, 1, 1977, pp 31ff.; G. Kohlmei, "Vergesellschaftung und Integration im Sozialismus," Berlin, 1973; id., "On Some New International Economic Developments," "Neue Entwicklungstendenzen in der heutigen Weltwirtschaft," Berlin, 1976; R. Guendel,

- "Die Internationalisierung der Wirtschaft," Berlin, 1976; A. I. Mikulskiy, "Lenin's Theory on the International Economy and the Present," Moscow, 1974; M. M. Maksimova, "Kapitalistische Integration," Berlin, 1973; id., "International Economy and International Economic Collaboration," "Mirovaya Ekonomika I Mezhdunarodyye Otnosheniya" (MEMO), Moscow, 4, 1974, pp 3-20; N. N. Inosemotsev, "Der heutige Kapitalismus. Neue Erscheinungen und Widersprueche," Berlin, 1973; P. Khvoynik, "A New Development Stage in the Foreign-Trade Sphere of Capitalism," MEMO, 5, 1976, pp 72-83.
3. See K. Marx, "Grundrisse der Kritik der politischen Oekonomie," Berlin, 1953, p. 438, and id., "Das Kapital," Vol 3, Marx and Engels, "Werke," Vol 25, Berlin, 1973, pp 276ff.
  4. V. I. Lenin, "Werke," Vol 20, Berlin, 1960, p 12.
  5. N. P. Scmelev, loc. cit., p 32.
  6. V. I. Lenin, "Werke," Vol 19, Berlin, 1962, p 237.
  7. V. I. Lenin, "Werke," Vol 31, Berlin, 1959, p 135.
  8. See N. N. Inosemtsev, loc. cit.
  9. See 25th CPSE Congress, "Activity Report of CPSU Central Committee and the Coming Tasks of the Party in Domestic and Foreign Policy," Reporter: L. I. Brezhnev, Berlin, 1976, p 69; "Environmental Problems and State-Monopoly Capitalism," IPW-FORSCHUNGSHUFTE, Berlin, 1, 1977.
  10. See M. M. Maksimova, "Weltwirtschaft...", loc. cit.
  11. V. I. Lenin, "Werke," Vol 33, Berlin, 1962, pp 138 and 251. These striking statements by V. I. Lenin on the objective character of economic relations between socialist and capitalist countries contain the following observations: "There is a greater force than the wish, the will, and the resolution of certain hostile governments or classes; this force is represented by the general conditions of the international economy which force them to establish relations with us." Or he also said, "It is after all true that the inescapable, most urgent practical interests-- which emerged clearly in recent years--of all capitalist powers demand the development, regulation, and expansion of trade with Russia. But once such interests exist..., this fundamental economic necessity will pave its own way."
  12. 25th CPSU Congress, "Activity Report...", loc. cit.
  13. V. I. Lenin, "Werke," Vol 32, Berlin, 1971, pp 320-321.
  14. V. I. Lenin, "Werke," Vol 32, Berlin, 1971, p 447.

15. Ibid., pp 452-453.
16. "Declaration of Peace, Security, and Collaboration in Europe," NEUES DEUTSCHLAND, Berlin, 27 January 1972.
17. "Final Act of CSCE," NEUES DEUTSCHLAND, 2-3 August 1975, pp 5 and 6.
18. E. Honecker, "Speech in Helsinki," NEUES DEUTSCHLAND, 1 August 1975.
19. L. I. Brezhnev, "Speech at the Conference of Communist and Worker Parties With Europe," Berlin, 1976, pp 16-17.
20. 15th Conference of the SED Central Committee, "On the Results of the CSCE," excerpts from the speech by H. Axen, Berlin, 1975, p 114.
21. Ninth SED Central Committee Conference, "Briskly Forward in the Further Implementation of the Resolutions of the Eighth SED Congress," excerpts from the SED Central Committee Politburo, Reporter: E. P. Honecker, Berlin, 1973, p 16.
22. The last-named ideas have been formulated with this degree of openness already for many years only by extreme right-wing positions, such as, for example, by Professor H. Hirsch of the Aachen Technical College, "Treaties Are No Opportunity for the Economy--Investigation of the Dangers of Trade With the East," DIE WELT (B), Hamburg-West Berlin, 2 May, 1972, p 7., and B. J. Roepke, "Eastern Trade and Detente," FRANKFURTER ALLGEMEINE, Frankfurt (Main), 28 July 1976.
23. V. I. Lenin, "Tenth All-Russian Conference of KPR (B)," "Werke," Vol 32, p 458.
24. See, for example, "General Crisis of Capitalism--Driving Forces and Phenomena at Present," Berlin, 1976, especially chapter 2, including statistical evidence, and statements by J. Nitz, "Friedliche Koexistenz in Europa," Chapter 4, Berlin, 1977.
25. 25th CPSU Party Congress, "Activity Report...", loc. cit., p 21.
26. See O. Reinhold, "International Dispute and Economic Relations Between Socialism and Capitalism," EINHEIT, Berlin, 11, 1973, pp 1308-1316; "The Capitalist Crisis and Economic Collaboration Between Socialist and Capitalist Countries," EINHEIT, 8, 1975, pp 913-915.
27. L. I. Brezhnev, "Speech at the Conference of Communist and Worker Parties of Europe," loc. cit. p 17.
28. E. W. Mommsen, "Reciprocal Economic Relations Between East and West," INFORMATIONS- UND PRESSESTAB, Bulletin (Published by Federal Defense Ministry), Bonn, 11 January 1972.

29. C. Sulzberger, NEW YORK TIMES, quoted in DIE WELT(B), 15 December, 1972.
30. O. Wolff von Amerongen, "Speech to the Chamber of Industry and Commerce of Hagen-Heidenheim," March 1974.
31. P. Dax, "Prospects of Economic Collaboration With the Soviet Union and Other CEMA Countries From the Viewpoint of West German Enterprises--A Survey," BLAETTER FUER DEUTSCHE UND INTERNATIONALE POLITIK, Cologne, 11, 1975, p 1232; "Investigations of the IPW," P. Freiberg, "Collaboration of Socialist and Capitalist Countries in the Energy Industry," IPW-BERICHTER, Berlin, 6, 1974, pp 23ff. The Soviet concept was explained in particularly great detail by N. N. Nekrasov in his lecture "The Energy Industry and Natural Resources--Contribution to the Outlook of Economic Collaboration Between East and West," Vienna East-West Conference "New Initiatives in East-West Cooperation," Vienna, November 1974, Conference material.
32. O. Wolff von Amerongen interview with West German Southern Radio Broadcasting Company, 8 May 1972, and statements to the Club of Frankfurt Economic Journalists, HANDELSBLATT, Dusseldorf, 23 March 1972.
33. Austria, "Great Increase In Trade With Socialist Countries," DDR-AUSSENWIRTSCHAFT, Berlin, 30-31 July 1975, p 1.
34. E. W. Mommsen, "Prospects of Economic Cooperation with the Soviet Union and Other CEMA Countries From the Viewpoint of West German Enterprises," loc. cit., p 1225.
35. See "East-West Economic Relations; Problems and Possibilities," Moscow, 1976, Chapter I, Russian.
36. W. Brandt, SUEDEUTSCHE ZEITUNG, Munich, 14-15 June 1975.
37. See J. Jahnke and R. Lukas, "Eastern Policy and Eastern Trade In Practice--From Trade to Economic Collaboration," BMWF-DOKUMENTATION, Bonn, October 1972.
38. See, among others, "CDU/CSU Politicians on Eastern Treaties," INDUSTRIE UND HANDELSREVUE, Cologne, Nos. 18, 19, 18 July 1975, pp 206-209, and "H. Kohl, CDU/CSU advocate further development of eastern trade," INDUSTRIE UND HANDELSREVUE, No. 28, 12 November 1975, pp 3300ff.
39. R. Loewenthal, DIE ZEIT, Hamburg, 17 September 1973.
40. T. W. Stanley, D. M. Whitt, "Detente Diplomacy--The United States and European Security During the Seventies," Baden-Baden, 1971.

41. In this connection see J. Nitz on attempts at psychological actions, "Kreuzzug gegen die Koexistenz," Berlin, 1975, pp 87-106, especially 103ff.
42. I. Laulan, "Eastern Trade and Its Political Consequences," NATO-BRIEF Bonn, 6, 1970, p 20.
43. This problem complex is treated in a widely differing fashion in international literature. The viewpoint expressed here corresponds to the clearly Marxist-Leninist concept. See, for example, "East-West Economic Relations: Problems and Possibilities," loc. cit.; E. Mateyev, "Motives for Countries With Different Economic Relations to Develop Mutual Collaboration--Statements at the IEA Roundtable Conference on Economic Relations Between East and West," June-July 1976, in Dresden, Conference material. Among scientists and politicians in capitalist countries, views range from right-wing extremist criticisms of east-west trade, who can see only definite advantages for socialism (see footnote 22), all the way to views which want to warn socialism against excessively intensive economic relations with capitalism (see, for example, H.-D. Jacobsen, "Die wirtschaftlichen Beziehungen zwischen West und Ost. Strukturen, Forme, Interessen, Auswirkungen," Hamburg, 1975). But there is an increase in those views which more heavily emphasize the reciprocity of advantages and benefits, whereby they argue that, in the individual case, one or the other side can gain certain advantages over the partner without basically cancelling out the reciprocity of advantages involved. (See among others P. Hanson, "East-West Trade and Economic Systems, IEA Roundtable Conference...", loc. cit.; M. Lavigne, "Economic and Political Motives of Countries With Different Economic Systems for the Development of Reciprocal Cooperation, Including Collaboration With a View to the Results of the CSCE, IEA Roundtable Conference..." loc. cit.) M. Lavigne arrives at the following observation: "There is rather broad agreement on the general advantages to all partners deriving from the development and multiplicity of trade and cooperation between countries with different economic systems in Europe and throughout the world" (p 1).
44. "Final Act...", loc. cit.
45. "For Peace, Security, Collaboration, and Social Progress in Europe," "Document of the Conference of the Communist and Worker Parties of Europe," Berlin, 1976, p 24.
46. V. I. Lenin, "Werke," Vol 31, p 447; id., "Werke," Supplementary Vol (October 1917--March 1923), Berlin, 1971, p 165.
47. G. W. Chicherin, "Articles and Speeches on Questions of International Politics," Moscow, 1961, pp 208-209.

48. V. I. Lenin, Supplementary Vol, p 438.
49. See J. Kuczynski, G. Wittkowski, "Die deutsch-russischen Handelsbeziehungen in den letzten 150 Jahren," Berlin, 1947.
50. See J. Nitz, "European Security and Economic Collaboration," IPW-BERICHT, 1, 1973, p 2ff.
51. See also especially the statements by Swedish scientist G. Adler-Karlsson, "Der Fehlschlag, 20 Jahre Wirtschaftskrieg zwischen Ost und West," Vienna, Frankfurt (Main), Zurich, 1971, who in detail investigates the causes, forms, and methods as well as effects of imperialist economic warfare against the socialist countries.
52. Ibid., p 180.
53. R. Krengel, "Die Bedeutung des Ost-West-Handels fuer die Ost-West-Beziehungen," Goettingen, 1967, p 108.
54. The new strategic foreign-trade concept of the imperialist states with regard to socialism has its origins in more flexible concepts which are connected with the increasingly obvious failure of the aggressive policy of "rollback" and the more and more visible changes in the international balance of power between socialism and imperialism. The forerunners of this new imperialist policy are especially the following: G. F. Kennan, "On Dealing with the Communist World," New York and Evanston 1964; N. McKittrick, "East-West Trade. The Background of U.S.-Policy," published by Twentieth Century Fund, Inc., U.S.A., March, 1966; Z. K. Brzezinski, "Alternative to Division--New Possibilities for All-European Policy," Cologne--West Berlin, 1966; id., "Framework for Reconciliation Between East and West," Aus Politik und Zeitgeschichte," Supplement to the weekly journal DAS PARLAMANT, Bonn 27 March 1968; J. Hauptmann, "American Diagnoses on Eastern Europe," Abstract of lecture in MITTEILUNGEN DER SUEOSTEUROPA-GESSELLSCHAFT, Munich, 3-4, 1967, July-December, pp 57-59; id., "Economic Reform in the East Bloc--Attempt at a Theoretical-Political Analysis," Abstract of lecture, ibid., 3-4, 1969, July-December, pp 66-68; id., "Hermann Gross and Eastern European and Southeastern European Research from the American Viewpoint," DIE AUSSENWIRTSCHAFT SUEOSTEUROPAS, published by J. Meier and J. Hawlowitsch, Cologne, 1970, pp 11-14; id., "German Eastern Policy as viewed from the United States," Lecture abstract, MITTEILUNGEN DER SUEOSTEUROPA-GESSELLSCHAFT, 1-2, 1971, January-June, pp 34-36.
55. Z. K. Brzezinski, "Alternative for Division," loc. cit., p 109f.
56. T. J. Dodd, "The United States Between Europe and Asia," "Osteuropa und die Hoffnung auf Freiheit," (published by A. Domes), Cologne, 1967, pp 32 and 41.

57. Particularly noteworthy observations from that time regarding a more flexible "eastern trade policy" as a variation and foundation for a "new eastern policy" can be found in West Germany in the following statements: W. Brandt, "Koexistenz - Zwang zum Wagnis," Stuttgart, 1963; id., "Independence of Eastern European States Must Be Supported--Memorandum to Secretary of State Dean Rusk," VORWAERTS, Bonn, 27 January, 1965; "Expansion of Social Democracy A Continuing Task," BULLETIN DES PRESSE- UND INFORMATIONSAMTES DER BUNDESREGIERUNG, Bonn, No. 29, 27 February 1971, pp 301-307; K. Schiller, "Economic Policy in its European and International Context," Uncorrected minutes of the SPD National Congress, Saarbruecken, 12 May 1970; id., "Achievements and Prospects," SOZIALDEMOKRATISCHER PRESSEDIENST, Bonn, No. 221, 23 November 1970, pp 6-9; id., "Can One Separate Economics From Politics?" WIRTSCHAFTSWOCHE, Frankfurt (Main), No. 52, 23 December 1970, pp 66-68; W. Jaksch, "Western Europe--Eastern Europe--Soviet Union, Prospects of Economic Collaboration, a Political-Economic Study," EDITION ATLANTIC FORUM, Bonn-Brussels-New York, 1965; id., "Confrontation of New Imperialism and Partnership Along the Iron Curtain," "Westintegration une Osteuropa," Published by A. Domes, Cologne, 1965, pp 75-94; id., "A Concept for a United Europe," "DIE POLITIK DES WESTENS UND OSTEUROPA," Published by A. Domes, Cologne, 1966, pp 206-214; id., "Germany and Russia's European Policy," "Osteuropa und die Hoffnung auf Freiheit," loc. cit., pp 138-148. In contrast to that, pronouncedly reactionary CDU-CSU politicians stuck to their openly aggressive objectives as before. A certain modification of concepts did not come about until after the SPD leadership had done the same. It should of course be noted that leading CDU/CSU politicians want to accomplish the adaptation process of imperialism only to a limited degree and later on came out with highly contradictory statements on economic relations between socialist and capitalist states. Recently, particularly since the discussion on "eastern treaties," the attitude of the leading CDU/CSU circles has been highly differentiated and contradictory. Their basic right-wing tendency is strongly developed among some politicians (Marx, Carstens, etc.).
58. W. Jaksch, "Western Europe--Eastern Europe--Soviet Union...", loc. cit., pp 11-12.
59. K. Schiller, "Economic Policy in its European...", loc. cit.
60. VORWAERTS, 27 January 1965, p 4.
61. U. S. News & World Report, Washington, 13 August 1973.
62. "On the 60th Anniversary of the Great Socialist October Revolution-- CPSU Central Committee Resolution of 31 January 1977, NEUES DEUTSCHLAND, 4 February 1977.

## Chapter II

1. "Final Act of CSCE," NEUES DEUTSCHLAND, Berlin, 2-3 August 1975.
2. See P. Freiberg and J. Nitz, "Forms and Prospects of Economic Relations Between Socialist and Capitalist States," IPW-BERICHTE, Berlin, No. 11, 1975, pp 16ff.; L. Maier, "Capitalism and Present-Day World Development--New Tendencies and Phenomena," *ibid.*, pp 2ff.
3. "Final Act...", *loc. cit.*
4. "Character and Tendencies of Trade and Economic Cooperation Between CEMA Member Countries and Capitalist Industrial Countries," (Theses on the discussion in the Economic Council for Socialist Economic Integration, prepared by G. Schaarschmidt, P. Freiberg, W. Nicolai, J. Nitz, S. Wenger, H. Weser), Berlin, December 1976, Conference material.
5. K. I. Mikulskiy, "Lenin's Theory on the World Economy and the Present," Moscow, 1974, p 43.
6. See L. Maier, "Discussion Contribution at the IEA Roundtable Conference on Economic Relations Between East and West," June-July 1976, Dresden, Conference material; see also J. Nitz, "Report on Conference," IPW-BERICHTE, No. 10, 1976, pp 38ff.
7. See S. Pisar, "Supergeschaefit Ost-West--Der Schluessel zum Weltfrieden," Hamburg, 1970, pp 21 and 358; E. Horn, OST-WEST-JOURNAL, Vienna, No. 1, 1975; K. E. Schenk, "Prospects of Industrial East-West Cooperation," WIRTSCHAFTSDIENST, Hamburg, No. 12, 1975; H. H. Karry, OSTHANDEL, Cologne, 1974, p 10; Research reports of the Vienna Institute of International Economic Comparisons, Vienna, No. 23, 1975.
8. See statements by F. D. Holtzmann, Report to the IEA Roundtable Conference, *loc. cit.*
9. "Final Act...", *loc. cit.*
10. See Ye. Melnikov and N. Cherkassov, "Convergence Theory and Integration," EKONOMITSCHESKIJE NAUKI, Moscow, No. 6, 1975.
11. "Final Act...", *loc. cit.*
12. K. Becher, H. Prokein, "Current Problems of the Principle of Most-Favored Nation Status," DDR-AUSSENWIRTSCHAFT, Berlin, No. 35, 1975, Supplement, pp 1ff.
13. V. I. Lenin, "Werke," Vol 32, Berlin, 1973, p 250.

14. 25th CPSU Party Congress, "Activity Report of CPSU Central Committee and Coming Tasks of the Party in Domestic and Foreign Policy," Reporter: L. I. Brezhnev, Berlin, 1976, p 34.
15. See L. Zabelnikov, "Necessary Prerequisites for International Trade," MEMO, Moscow, No. 5, 1976, pp 108-114; J. Nitz, "Discussion Contribution at the IEA Roundtable Conference," loc. cit.; Ye. Shirayev, A. Sokolov, "East-West Business Relations--Possibilities and Realities," MEZHDUNARODNAYA ZHIZN, Moscow, No. 1, 1977, pp 40-49; V. Waker, "East-West Trade--Selected Problems," Report at the IEA Roundtable Conference, loc. cit.
16. "Final act...", loc. cit.
17. See M. von Berg, "Effects of EEC on Commerce Between EEC Countries and Communist States," OSTEUROPA-WIRTSCHAFT, Stuttgart, No. 8, 1963, pp 161ff.; K. H. Standke, "Der Handel mit dem Osten," Baden-Baden, 1968; J. Rey, "Customs Duty and Trade Policy of EEC Toward Third Countries," "Handels- und Waehrungspolitik im Gemeinsamen Markt," Publication series of the Research Institute of the Friedrich-Ebert Foundation, Hanover, 1965, pp 25ff.; C.-D. Rohleder, "The Eastern Trade Policy of the EEC Member States, Great Britain, and the United States Toward Southeastern Europe's Countries with Government-Controlled Trade," SUEDOSTEUROPA-STUDIEN, Munich, No. 13, 1969.
18. H. J. Tauscher, "Problems of the EEC Agricultural Market," Dissertation, Berlin, 1976.
19. Grouping of International Commodity Index for Foreign Trade according to OECD (classification for statistics and tariffs): 0--live animals and essential foods; 1--beverages and tobacco; 2--raw materials, excluding mineral fuels; 3--mineral fuels, lubricants; 4--animal and vegetable fats and oils; 5--chemical products; 6--processed commodities, according to their nature; 7--machinery and vehicles; 8--miscellaneous other industrial products such as sanitary facilities, furniture, clothing, travel articles, scientific measurement instruments, photographic and optical instruments and watches, tools, musical instruments, books, arts and crafts; 9--miscellaneous articles, such as military equipment, coins (except for gold coins), special business transactions, etc.
20. 25th CPSU Party Congress, "Activity Report...", loc. cit., p 70.
21. DIW-WOCHENBERICHT, West Berlin, No. 39, 30 September 1976, p 360.
22. Ibid., p 362.
23. Ibid., pp 363-364.

24. S. Wenger, "Contribution to IEA Roundtable Conference," loc. cit.
25. See statements by F. D. Holtzmann, *ibid.*
26. S. Wenger, *ibid.*
27. Data for Great Britain: HANDELSBLATT, Duesseldorf, 4 June 1976; Italy; "Block durch die Wirtschaft," Frankfurt (Main), 15 May 1976; Denmark; HANDELSBLATT, 7 June 1976, BERLINGSKE TIDENDE, Copenhagen, 21 April 1976; Norway: East-West Commercial Bank, Oslo, 28 May 1976; Sweden: "Review of Economy," 14 January 1976; Spain: News for Foreign Trade, Frankfurt (Main), 19 June 1976.
28. HANDELSBLATT, 6 September 1976. In this connection, the Press and Information Bureau of the federal government writes, in a report dated 2 September 1976, that "the level of credits attained is so far not considered to be critical by the banks. Some countries with government-controlled trade have so far been able to negotiate relatively favorable interest rates because the banks consider them to be particularly reliable debtors." Otto Wolff von Amerongen, president of the West German Industry and Commerce Conference, arrives at a similar situation estimate when he writes the following at the end of 1976: "In my view, the present level of indebtedness of the entire East Bloc in the west is not cause for concern. Countries with government-controlled trade have always met their financial obligations" (HANDELSBLATT, 31 December 1976).
29. HANDELSBLATT, 15 September 1976, p 8.
30. *Ibid.*

### Chapter III

1. See "East-West Economic Relations--Problems and Possibilities," Moscow, 1976, Russian.
2. *Ibid.*, chapter II on Foreign Trade Development Tendencies, Especially pp 57ff.
3. "Final Act of CSCE," NEUES DEUTSCHLAND, Berlin, 2-3 August 1975.
4. See Ye. Shishkov, R. Novikov, "International Production Cooperation--The New Thing in the Internationalization of Economic Life," MEMO, Moscow, No. 4, 1975, pp 42-62.
5. See *ibid.*
6. Marx, Engels, "Werke," Vol 23, Berlin, 1969, p 344.

7. See "East-West Economic Relations," loc. cit., especially chapter III on cooperation relations.
8. See V. Baranov, "Industrial Collaboration Between Socialist and Capitalist Countries," MEMO, No. 2, 1976, pp 113-117.
9. Ibid.
10. See M. Schmitt, "Industrielle Ost-West-Kooperation," Stuttgart, 1974.
11. See L. Maier and K. H. Stiemerling, "Experiences and Prospects of Industrial Cooperation Between Socialist and Capitalist Countries of Europe," "Perspektiven und Probleme wirtschaftlicher Zusammenarbeit zwischen Ost- und Westeuropa," published by German Institute of Economic Research, West Berlin, special issue, No. 114, 1976.
12. "Final Act...", loc. cit.
13. Statements by GDR Representative P. Stampfl at the 31st General Session of the ECE, Conference material.
14. See, among many other publications, for example, Ye. Shishkov, R. Novikov, loc. cit.; V. Baranov, loc. cit., N. P. Schmelev, "The Framework for Industrial, Scientific, and Technical Cooperation Between East and West," lecture to the IEA Roundtable Conference on Economic Relations Between East and West, June-July 1976, Dresden, Conference material; V. Yokhin, "Forms and Methods of Industrial Cooperation," MEMO, No. 1, 1976, pp 122-127; M. V. Zenin, "On the Role of the EC and the CEMA in the Development of East-West Economic Relations," Theses for a report to the IEA Roundtable Conference, loc. cit.; V. I. Ogarev, "New Forms of Economic Collaboration and Soviet-American Relations," "U.S.A.--Economics, Politics, Ideology," Moscow, No. 2, 1976, pp 121-127, Russian; E. S. Shershnev, "Soviet-American Economic Collaboration, Problems and Prospects," "U.S.A.--Economics, Politics, Ideology," No. 5, 1976, pp 3-11, Russian.
15. Analytical report of industrial cooperation among ECE-countries, Geneva, 1973.
16. 25th CPSU Party Congress, "Activity Report of CPSU Central Committee and the Coming Tasks of the Party in Domestic and Foreign Policy," Reporter: L. I. Brezhnev, Berlin, 1976, pp 70-71; See also "Report of CED Central Committee to Ninth Congress," Reporter: E. Honecker, Berlin, 1976, p 81.
17. U.S. News & World Report, Washington, 13 August 1973.
18. See N. P. Shmelev, loc. cit. In international bourgeois literature, this view has likewise been emphasized more frequently in recent years. For example, W. Hendricks (Vienna) observed the following: "The tick-

lish point in the problem is to find a formula acceptable to both sides in order to replace the traditional, primarily Anglo-Saxon mania for ownership with a new system which is capable of fulfilling our justified demands for acceptable securities for investments and/or credits in the sense of the laws of the particular socialist countries" (see W. Hendricks, "Economic Cooperation," Vienna East-West Conference "New Initiatives of East-West Collaboration," Vienna, November 1974, Conference material, p 25).

19. In international scientific literature, these questions have so far been treated only to a minor degree in view of the undeveloped status of actual practice. For the time being we likewise have only a few published research results by Marxist-Leninist authors. The following might be mentioned as publications which most extensively follow the author's statements on this topic: L. Maier, "On Some Aspects of Economic Cooperation Between European and the Developing Countries," WISSENSCHAFT UND FRIEDEN, Vienna, No. 4, 1976, pp 39ff.; H. Faulwetter and G. Schaarschmidt, "Zu einigen Aspekten der dreiseitigen Kooperation," Berlin, April 1976; M. Davydov, "UNCTAD and Trilateral Cooperation," Report to the IEA Roundtable Conference, loc. cit.
20. Fourth UNCTAD Conference, Nairobi, 1976, Conference material.
21. Ibid.
22. See P. Gutman and F. Arkwright, "Trilateral Industrial Collaboration Between Countries Having Different and Economic Social Systems in the West, the East, and the South," POLITIQUE ETRANGERE, Paris, No. 6, 1975, p 621-655.
23. See "East-West Economic Relations," loc. cit.
24. "Final Act...", loc. cit.
25. See N. P. Shmelev, loc. cit.

#### Chapter IV

1. See "Economic Integration in the World of Today," PROBLEME DES FRIEDENS UND DES SOZIALISMUS, Berlin, No. 7, 1973, pp 833ff.
2. See "Economic Aspects of the Problem of European Security," SOWJETISCHE AUSSENPOLITIK UND EUROPAEISCHE SICHERHEIT, Berlin, 1973, pp 157ff., and "Charter of the CEMA," GESETZBLATT DER DDR, Part II, Berlin, 1976, p 142.
3. See "Complex Program of CEMA Countries," DOKUMENTE RGW, Berlin, 1971, p 16.

4. See "Economic Aspects...", loc. cit.; I. Dudinskiy, "Socialist Integration and All-European Economic Collaboration," Moscow, 1975; Ye. Shiryayev, "Socialist Integration and International Economic Collaboration," MEMO, Moscow, No. 6, 1976, pp 20-28.
5. G. Pompidou, LE MONDE, Paris, 20 October 1972; See also F. Dietz, "Seven Theses on the 20th Anniversary of the Establishment of the Eastern Committee of the German Economy," FRANKFURTER ALLGEMEINE, Frankfurt (Main), 3 July 1972.
6. See J. Nitz, "Development of Economic Collaboration Under the Conditions of Two Different Types of Integration in Europe," Discussion contribution at the Symposium of the International Institute for Peace (Vienna) and the Society for International Affairs, Rome, February 1976; M. Schmidt, "Economic Relations Between Socialist and Capitalist Countries in the Light of New International Political and Economic Processes," IPW-BERICHTE, Berlin, No. 9, 1976, pp 2ff.; Ye. N. Kapelinskiy, "On A Mutually Advantageous Basis," Moscow, 1975, pp 93-94, Russian.
7. See N. P. Shmelev, "Peaceful Coexistence and Economic Collaboration," MEMO, No. 4, 1976, pp 26-31; Ye. Kormnov and I. Petrov, "Detente and Economic Collaboration," VOPROSY EKONOMIKI, Moscow, No. 2, 1976, pp 57-67; Ye. Yudanov, "Prerequisites for All-European Economic Collaboration," MEMO, No. 8, 1974, pp 71-82; id., "New Forms of All-European Economic Collaboration," ibid., No. 9, 1974, pp 87-98; G. Bashenov, M. Mordvinov, "Prospective Forms of Mutually Advantageous Economic Collaboration," KOMMUNIST, Moscow, No. 7, 1975, pp 113-120, Russian; V. Makarov, A. Chernyshev, "On the Way to Lasting Peace and Good Neighborly Collaboration in Europe," ibid., No. 6, 1976, pp 100-110, Russian; Ye. Shiryayev, A. Ivanov, "Economic Materialization of Detente," MEZHDUNARODNAYA ZHIZN, Moscow, No. 10, 1975, pp 23-33.
8. See J. Nitz, "Problems and Tasks of Future Development of International Economic Collaboration Between East and West in Europe," Consultant study ordered by ECE Secretariat, Geneva, November 1976. As for the rest, the following statements relate most extensively to the determinations in the final act of Helsinki (NEUES DEUTSCHLAND, Berlin, 2-3 August 1975).
9. L. I. Brezhnev, "In the Name of Peace, Security, and Collaboration," Speech at the CSCE, ibid.
10. See 25th CPSU Congress, "Activity Report of the CPSU Central Committee and the Coming Tasks of the Party in Domestic and Foreign Policy," Reporter: L. I. Brezhnev, Berlin, 1976, p 13.
11. "Programm der Sozialistischen Einheitspartei Deutschlands," Berlin, 1976, pp 32ff.

12. Ibid., p 3.
13. See H. Grosse and M. Puschmann, "Wirtschaftsbeziehungen im Zeichen der friedlichen Koexistenz," Berlin, 1976, especially chapters 7 and 8.
14. See M. Schmidt, "On Some Current Questions of Economic Relations Between Countries Having Different Social Systems," "Neue Entwicklungstendenzen in der heutigen Weltwirtschaft," Berlin, 1976, pp 88-89.
15. "Programm der Sozialistischen Einheitspartei Deutschlands," loc. cit., p 15.
16. Ibid., p 34.
17. "For New Results on the Road of International Detente, for the Consolidation of Security and the Development of Collaboration in Europe," Declaration of the Warsaw Pact states, NEUES DEUTSCHLAND, 27-28 November 1976, pp 3-4.
18. Ibid.

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CSO: 2300

HAMOUZ ON LONG-TERM CEMA INTEGRATION PROGRAMS

Prague TRIBUNA in Czech No 28, 13 Jun 77 p 12

[Interview with Vladislav Hamouz, staff member of the Central Committee of the CPCZ, by Jiri Javurek: "Long-Term Target Programs of CEMA"]

[Text] The only path for us by which we can overcome the limited possibilities of our domestic market and of our own resources for solving the tasks of the development of society is the maximal linking of our economy to the international division of labor. In regard to this the socialist integration and cooperation in CEMA has an irreplaceable value for us.

We talked with Comrade Vladislav Hamouz, staff member of the Central Committee of the CPCZ, about how our cooperation in CEMA is developing.

[Question] What is cooperation according to the integration plan of CEMA bringing us?

[Answer] Without socialist economic integration we would, for example, not have been able to insure in the long run a sufficiency of basic raw materials, fuels, and energy, in a number of fields obtain the latest technology, solve the tasks of scientific and technical development, and insure a stable outlet for finished products. For this reason the Sixth Five-Year Plan is counting on our enterprises linking themselves still more to the realization of the Comprehensive Program of Socialist Economic Integration. Our plan takes fully into consideration the results of the coordination of national economic plans and the plan of multi-lateral integrational measures for the years 1976-1980. It anticipates a further growth of exchange of goods with the socialist states.

[Question] Cooperation in some fields which are important for the development of our economy will nevertheless develop faster than the rest?

[Answer] Yes. Cooperation in the engineering production is to develop the fastest. For this and for all other areas it will be necessary to

insure a sufficiency of raw materials. For this reason we are taking part together with the other states of CEMA in the construction of the gas pipeline from Orenburg to the western border of the USSR, the construction of plants for the production of ferrous raw materials, ferrous alloys, and asbestos. Nonetheless, we also have to take care of the nourishment of the people and manage efficiently for this purpose. So that we would, for example, lower dependence on the import of feed proteins from capitalist states, in which they are always speculating as with a strategic raw material, we are taking part in the construction of a plant for the production of feed yeasts on the territory of the Soviet Union. We are involved in the construction of electric lines of 750 kV voltage and other joint activities stemming from the multilateral and bilateral agreements on specialization and cooperation in production.

It is possible to state that the five-year plan of selected measures was last year generally successfully fulfilled and in the framework of this also our pledges. Thus on the route of the gas pipeline between Orenburg and the western border of the USSR half of the pipeline was already welded by 1 January 1977. We fulfilled 112 percent of our own deliveries for the second section by that date. Last year we likewise fulfilled roughly one-third of the entire pledge for the expansion of capacities of ferrous raw materials. We provided all machines and consumer goods for the construction of the asbestos plant in Kiembayev [?].

Specialization and cooperation in production also developed. In this area, by the end of 1976, 74 multilateral agreements were signed. The Czechoslovak Socialist Republic participated in 69 of them and specializes in more than 2,000 items. We could go on and on.

The significance of socialist economic integration thus does not grow only from the viewpoint of domestic needs of the member states and of the entire socialist community, but also from the viewpoint of worldwide development and perspectives of economic competition between capitalism and socialism.

By joint construction, CEMA provides for the growing needs for energy and raw materials. The development of integration in science and research, and also in production, contributes to the unceasing growth of the social productivity of work. Through the exploitation of the results of science and technology in production, through the rapid modernization of the production base, and through the application of cooperation in planning and in other areas, the CEMA member states not only add to, but multiply their capabilities.

[Question] What does the Soviet Union signify for the member states of CEMA?

[Answer] For all the countries of our community, cooperation with the USSR represents a stabilizing and developmental element. Its powerful

economy, which is based on developed basic branches of production, on boundless wealth in raw materials, on strong scientific and technical potential, and on an enormous market with 260 million inhabitants, puts the Soviet Union in first place in the foreign trade of each member country of CEMA. The results of its scientific and technical development are reflected in the growth of the export of Soviet machines, equipment, and means of transport. Thus, for example, if we compare the year 1975 with the year 1970, the Soviet export to the People's Republic of Bulgaria rose by almost 120 percent, to Hungary by 126 percent, to Mongolia by 125 percent, to the GDR by 51 percent, to Poland by 63 percent, to Romania by 56 percent, and to the Czechoslovak Socialist Republic by 124 percent. By 1 January 1975, the Soviet Union participated with deliveries of comprehensive equipment in the construction of 2,000 projects in the member countries of CEMA. By this date, 1,500 of them had been brought into operation.

Soviet deliveries of fuels and raw materials also show a rising tendency. If in the fifties the USSR participated with roughly 40 percent of the deliveries in the trade of the member states, by now it does with two-thirds.

At the same time the Soviet Union is for each member country the largest importer of machines and equipment for the chemical, light, and food industry, of tool and die machinery, and textile machines, of components for the production of automobiles, of metallurgical equipment, ships, railroad cars, electro-technical and electronic products, and so on. The import of clothing, shoes, furniture, textiles, fruits, vegetables, and other consumer goods represents a significant portion of the domestic retail trade of the Soviet Union. And this, of course, is one of the most important stabilizing factors in the economy and in the production of socialist countries.

[Question] The intensifying and perfecting of economic and scientific-technical cooperation among socialist countries and the development of socialist economic integration is directed by long-term plans. What kind of specific plans are in question?

[Answer] For this 5-year period a plan of multilateral integrational measures has been approved which contains the most important joint projects in the construction and extension of productive and extractive capacities, in the cooperation and specialization of production, and in joint research and development. Simultaneously, on the basis of the recommendation of the 29th and 30th sessions of CEMA, member states are working out long-term target programs in five decisive areas of production with a view forward roughly to the year 1990. In the plan there are so many projects that it is difficult to mention some and omit others. Together they are immeasurably significant for the further development of the foundations of socialism.

[Question] Beginning with the 30th session of CEMA in Berlin, we have heard a lot about target programs. What do we want to attain with these individual programs?

[Answer] The goal of the program for fuels, energy, and raw materials is to assure in a dependable way the needs of the member states for coal, crude oil, natural gas, electric energy, raw materials, metals, chemicals for the most varied uses, and so on. Therefore tasks of a geological nature are also included in this program. The building of an interlinking electric power system with transmission networks of 750 and 400 kV, including the construction of power stations, is also a component of it. Together we shall achieve the meeting of the growing needs for energy, fuels, and raw materials through the maximal exploitation of the reserves and the particular resources of each country, through rational management of raw materials, and through the development of various forms of cooperation of the CEMA states in the building up and extension of productive capacities.

[Question] For our republic, besides energy and raw materials, the development of engineering is also important.

[Answer] The engineering plan has in the present circumstances a key importance for the technical equipping of the national economy of every country. A strong engineering production is important for the comprehensive solution of problems connected with the remaining programs. Therefore the program follows up on the development of 13 decisive sectors such as, for example, the production of tool and die machinery including needed automatic control devices, of hydraulic and pneumatic elements and output devices, foundry equipment, installations for atomic energy, for the chemical industry, for the production of agricultural machines, of automated control systems, equipment for the production of electronic devices, and so on.

Decisive in this program will be the accelerated development of specialization and cooperation in the engineering production, increasing the role of the ministries and the production associations, and the adopting of stimulative measures both by the exporter and importer of engineering technology.

[Question] And other programs?

[Answer] According to the agricultural-food program the needs of the inhabitants of the member states of CEMA will be insured to a maximal degree with the basic agricultural and food products. Leading to this will be the intensive development of agricultural and food production. At the same time the natural conditions of each country, the needs and possibilities of mutual deliveries are taken into account. Stimulative measures for the production and supply of products in short supply are simultaneously being created.

Congresses of the fraternal parties have set up as a basic task a further improvement of the material and cultural level, and therefore cooperation in the production of consumer goods, especially engineering, textiles, footwear, and so on, will be a significant independent program. Consumer goods today are becoming to a great degree an object of mutual trade of the member states. It is, however, necessary to intensify this exchange further, to raise production in each country, to broaden selection, and to improve quality. This calls for the modernization of the consumer goods industry, the building of specialized enterprises, and the intensification of specialization and cooperation in production.

This year's May plenum of the Central Committee of the CPCZ showed us how we shall continue in this direction in our country.

[Question] A growth of transportation will have to correspond to the rapid development of the mutual exchange of goods of the member states. What are we anticipating in this direction?

[Answer] A target program for transportation includes the progressive creation of a unified transportation network comprehending an all-round development of railroad, highway, sea, river, automobile, air, and pipeline transportation. All kinds of transportation will be extended and modernized. This also pertains to port capacities and border stations, among which it is necessary to include also the expediting station in Decin whose construction has been agreed upon, in which there will be joint staffing by us and the GDR. A unified container transport system, which is progressively being introduced, will also have a great economic effect.

[Question] What significance then do the target programs have on the whole?

[Answer] Long-term target programs will contribute to the further intensification of the cooperation of the CEMA member states. At the same time, their realization will become an example of the socialist international solution of problems which, in the rest of the world, get the attribute "global" or "hard to solve." Already they are set up with the aim that for each 5-year period 1981-1985 and 1986-1990 they become components of an agreed-upon plan of integrational measures and would be components of the national economic plans of the member states. Thus they will become a guarantee of the dynamic and rising development of the economy of each member country. Therefore, in conformity with the conclusions of the May session of the Central Committee of the CPCZ, we are dedicating marked attention to their execution.

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EAST GERMANY

REPORTS ON AGRICULTURAL DEVELOPMENTS

Confirmation of LPG Statute

East Berlin BAUERN-ECHO in German 2/3 Jul 77 p 1

[Excerpt] The draft of the model statute for the animal-producing LPGs was definitively discussed and passed yesterday. At the central conference in the congress hall on the Agra grounds 1,147 delegates from animal-producing LPGs, ZBEs [interplant facilities] and ZGEs [intercooperative facilities] approved this important document. The model statute will now be presented to the Council of Ministers for passing of resolutions. The delegates further recommended to the Council of Ministers that it recommend the master operating regulation to the animal-producing LPGs.

Politburo member and SED Central Committee secretary, Gerhard Grueneberg, who opened the conference on behalf of the SED Central Committee and the government of the GDR, referred to the great democratic discussion in which hundreds of thousands of cooperative farmers and workers participated and to the thousands of references and recommendations for the drafts of the master statute and the master operating regulation. In the outstanding achievements in the socialist competition in honor of the 60th anniversary of Red October, expression was given to the fact that during this discussion many immediate conclusions were already drawn for the work in the LPGs. In this connection the actions of the workers were determined by the standards set down by the Ninth SED Congress.

In his talk the minister for agriculture, forestry, and the foodstuffs industry, Heinz Kuhrig, discussed the impressive development of our socialist agriculture since the founding of the first LPG 25 years ago. At the present time, the national production for the entire year of 1950 in milk is produced in less than 3 months, in slaughter cattle in only 2 months and in eggs in only 27 days--by only about one-third the number of people employed in agriculture in 1950.

## Commentary on LPG Statute

East Berlin BERLINER ZEITUNG in German 5 Jul 77 p 2

[Editorial by Axel Knack: "A Statute for the Future"]

[Text] More than 2,400 delegates, cooperative farmers, and workers from LPGs and cooperative facilities recently approved the drafts for master statutes for plant- and animal-producing LPGs at two conferences in Markkleeberg. With that, an important decision was made concerning the further development in rural areas.

Our socialist agriculture presently finds itself at a stage in which the production of plant and animal products is being transformed step by step, according to the principles of industrial production. In the process the centuries-old operational unity of plant and animal production, which has become more and more of a hindrance to increased efficiency in agricultural production, is gradually being replaced by specialization in a few products or even only one main product. Thus, on the one hand, the LPGs and VEGs [state farms] for plant production and, as a transitional form, the cooperative crop-production departments (KAPs) have developed and continue to develop, just as, on the other hand, the state-owned and cooperative enterprises for animal production do.

With that, new cooperative relations have become necessary. More unequivocally than in the former LPG statute, the requirements for cooperation between plant and animal producers, resulting from the division of labor, have to be specified. The new statutes are also supposed to further the approximation of living conditions in villages to those in the city. Paid vacations and subsidies for female cooperative farmers and shift workers are now as much a part of the rights expressly specified in the master statutes as support in case of illness or old age or assistance in the construction of personally owned homes.

Thanks to the agrarian policy of the working-class party and the industry of the cooperative farmers and agricultural workers, our socialist agriculture has developed in outstanding fashion. Since the founding of the first LPG in 1952 the production of slaughter cattle has increased 6 times over, of milk 4.5 times over, of eggs 14 times over--and that despite a reduction in the number of agricultural workers from 2.2 million to 825,000.

A sure living, increasing prosperity and a high level of education characterize life in the socialist village. The new model statutes show in a clear way how the main task in its union of economic and social policy continues to be successfully performed in the country as well.

The new master statutes give a wider berth to intracooperative decisions. The preparation of the documents was likewise an example of socialist democracy. In the course of half a year hundreds of thousands of cooperative farmers and agricultural workers discussed the drafts. For the model statute for the plant-producing LPGs alone over 18,000 references and recommendations were presented, and supplements and changes resulted from them. Thus the cooperative farmers and agricultural workers have written their new statutes themselves.

## Cattle Fodder Production

East Berlin BERLINER ZEITUNG in German 5 Jul 77 p 2

[Text] Green rye, alfalfa, and other protein-rich crops were processed into 460,000 tons of high-grade dry fodder in the first 6 months of this year in the GDR. In the same period, the workers at the 300 drying facilities also produced around 910,000 tons of straw pellets for animal feed. Agra 77 is now demonstrating in Leipzig-Markkleeberg how, through the best experiences, even further reserves can be opened up in the industrial-type production of dry fodder and straw pellets.

The improvements of straw is to be a main method in feeding cattle in the future. With the addition of urea, soda lye, ammonia, minerals, fresh fodder, or molasses chips, compression produces a dry fodder which may be economically employed. The fodder keeps very well and makes possible the use of industrial-type feeding technologies as well as the maintenance of reserves.

## Grain Harvest

East Berlin BERLINER ZEITUNG in German 7 Jul 77 p 1

[Text] In the next few weeks the grain on 2.5 million hectares has to be secured in the GDR. Other mowing-and-threshing crops are to be harvested from another 300,000 hectares. It is now necessary to harvest the agricultural and horticultural crops with the least loss and in high quality, to store them and to process them. Together with 8 to 9 million tons of straw, new potatoes, fruits and vegetables, 40 percent of the year's total plant production is to be harvested in the next 2 months.

For the harvest 12,650 harvesting combines of the type E 512 are available in the republic--1,300 more than in 1976. Some 2,400 FDJ students and young workers will man 510 grain combines of this type as youth project "central harvesting equipment."

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## HUNGARY

### EXPANSION OF NATURAL GAS SERVICE IN BUDAPEST REPORTED

Budapest NEPSZABADSAG in Hungarian 24 Jul 77 p 5

[Text] The conversion from bottled gas to natural gas is proceeding according to plan in the capitol city. Gas appliances are used in more than 420,000 Budapest homes; of these 163,000 consumers are already using natural gas. One of the stipulations of the conversion is the modernization of the existing pipeline network. Even though gas transport requires modern steel pipelines, the greater part of the network is made of cast iron pipes. These first have to be made more applicable for the new service. This is why there is much street demolition in Budapest. The temporary inconvenience, however, will be repaid in time since gas--being a natural energy source--will be cheaper than its forerunner. The consumers will not go wrong either: the thermal value of natural gas is twice as much as that of bottled gas, it is non-toxic and its advantage is that it can be transported under higher pressure. That is to say that many times more [gas] can be delivered to the consumers through the same pipeline network and thereby the growing demand can be met more easily.

Of course the conversion means certain inconveniences for the consumers. Namely, the conversion of the apparatuses--or possibly replacement--requires a few days because individual branches of the network are shut off temporarily. The modernization, however, is free inasmuch as it pertains to the citizens. The Gas Works will devote 100 million forints this year alone for this purpose. Within the span of the Fifth Five Year Plan an additional 90,000-100,000 Budapest homes will be able to use natural gas. Foreseeably, over 20,000 consumers will be accommodated this year. In the second district, Gabon Aron Street, Martirok St. and the area bordered by Szilagyi Erzsebet Boulevard, natural gas will replace bottled gas in over 16,000 homes. Moreover, in the first district, the work affecting 2,500 consumers is being finished on Attila St., Logodi St. and one section of Vizvaros. Work has been finished in 9,000 homes up to now, even though work is only begun after the end of the heating season.

According to the long range plan bottled gas will be eliminated from the entire Budapest area by 1990, at the latest. This is because natural gas is in part a domestic product and in part, a Soviet import, wherewith the raw material of the gas service is guaranteed for a very long time. The improved service from year to year, by the way, is tied to important consequences for environmental protection.

MAJOR TRANSPORT WEAKNESSES EXAMINED

Warsaw POLITYKA in Polish No 27, 2 Jul 77 p 5

[Article by Eng Michal Kelles-Krauz, lecturer at the Swietokrzyska Institute of Technology: "Time for Transport"]

[Text] Today, no doubt, transport difficulties are the most significant weak points of our economy. The inability to efficiently and promptly deliver products and raw materials sets back and delays production and construction. Transport also bears a good part of the blame for market difficulties. The economic and social wastes resulting from inefficient passenger transport are also severe.

The attention dedicated by the nation's managers to the transport problem as well as the decisions undertaken are beginning to correct the situation somewhat. Nevertheless, we still have a long road to travel before a satisfactory status is achieved.

An integrated transport system, encompassing all types of transport and developing in cadence with the entire economy, must emerge. Such a system was discussed a couple of months ago at the conference of party-economic activists that was dedicated to transport, and then again at the national conference of the Office of the Council of Ministers on 27 [June].

The general acceleration of Poland's socioeconomic development over the past years greatly increased the transport burden. During the 6-year period between 1971-1976, total production of our industry increased almost twofold, and construction over twofold. To a similar degree, domestic and foreign trade turnovers also increased. These indices reflect the immense tasks with which the transport industry was confronted. At the same time population mobility also increased, which brought about new passenger pressures on means of public transport.

Since the beginning of the 1970's, the nation has not begrudged its resources to expand transport. However, the shortcomings of the basic infrastructure cannot be quickly overcome. Thus, considering the increased tasks faced by

transport, certain disproportions were even increased. That is why it is so important to further intensify the development of transport. Along with this, it should be remembered that the demands on transport will continue to increase, but certainly not at the tempo of previous years but in any case it will be a rapid pace.

Thus the individual transformation of all transport branches into another, technically higher level, and the building of a cohesive transport system in which trains, motor vehicles, ships and so forth are in harmony and complement one another, are essential.

### The Railroad Hiatus

In railroad transport, a qualitative increase is achieved above all through electrification. Recently, this has been accelerated markedly. Already we have over 6,000 km of electrified lines, or over 25 percent of the entire standard-transport network, over which 54 percent of railroad transport work is accomplished via electric traction. The new plans call for the electrification of over 16,000 km of the network and approximately 90 percent of the transport work via electric traction. Also, in the production of rolling stock, our achievements are significant, but our requirements are great. We hope that the present difficulties concerning collaboration between the PKP [Polish State Railroads] and the manufacturers of rolling stock and its equipment will be eliminated quickly.

However, in the transport projects undertaken to date, it appears that not enough attention is being paid to the elimination of the technical gap between new investments and the level of operating subsidiaries. Despite the obvious modernization of the railroad, the effects frequently are hardly visible. The advertised rapid connections between voivodship cities (intercity) do not exist. Passenger trains are slow, and late train arrivals are common. And the timetables for freight traffic--an ironclad rule for railroad people--have become fiction. Trains from Jelenia Gora to Sosnowiec, from Sosnowiec to Warsaw, and so forth at times take three and even four days. The average speed of electric traction freight trains, which in 1965 was 33.2 km/hr, decreased to 22.2 km/hr in 1975. Such a freight-carrying tempo means, in a certain sense, that the national income is frozen.

The railroad's technical facilities labor under difficulties that frequently are difficult to correct. In 1976 there was a shortage of 20,000 tons of rails, or about 7 percent of the total amount needed to fulfill the plan. And the poor condition of the rails is becoming even worse. In December of last year alone, about 1,500 cracks were noted, which caused accidents and traffic interruptions amounting to approximately 1,600 hours. Also, last year there was a shortage of so-called railway bedding to repair tracks, as well as a shortage of clamps to strengthen rails. In that year, the railroad obtained only about 75 percent of its planned cement deliveries, and consequently there was a shortage of pre-stressed concrete crossties. The shortage of wooden crossties amounted to 25 percent, and for special crossties used at crossovers the shortage was about 70 percent. Such shortages are reflected later in the quality

of the rails because the shortages are replaced by crossties having excessive moisture. Improvements have been made regarding supplies of mechanical equipment for railroad servicing crews. However, there is a continuing shortage of railroad cranes and broken stone scudding machines, and in 1976 there was a shortage of electric tamping machines, of which only 60 percent of the planned quota was delivered.

A frequent cause of incomplete work was material and equipment shortages. At times repair crews must return several times to the same section. It is not difficult to imagine how this affects rail traffic.

Spare parts supplies create a separate chapter. Because of these shortages, for example, last year at the Warsaw District Directorate of State Railroads, 40 percent of the domestically produced diesel passenger locomotives were left standing on the side. A portion of the new cars received by the PKP are not even put into service; they are disassembled to provide spare parts for cars in service.

A real nightmare for the repair shops and servicing crews are the assembly errors that are repeated even on rolling stock that has been in production for years. To the detriment of their own primary task, the Railroad Rolling Stock Repair Shops [ZNTK] must correct manufacturing errors instead of doing repair work. If we add to this the shortages of shop and diagnostic equipment as well as difficulties with spare parts, then it is easy to uncover the reasons why about 5,000 freight cars were not repaired last year. Compare: in the same time period the PKP obtained about 13,000 new cars.

#### With Hammers and Crowbars

The maintenance and repair shops are deficient in equipment. The repair shop in Rozwadowiec, which became operational earlier this year, contains nothing but the most elementary equipment such as hammers, crowbars and cutters. Also there are no social facilities nor even a covered hall. The situation in the better known repair shops is no better. In Ostrowa Wielkopolska, where box cars (so-called grain carriers) are repaired, very little shop equipment has been received for many years now. In the Warsaw region, among eight repair shops only three are sufficiently equipped. There is much to be desired concerning utilization of the cars. A great deal of damage occurs during loading and unloading (a reflection of inadequate automation of these operations), or also using the cars for unintended purposes (for example, transporting fertilizer in grain carriers). Frequently, most often because of misuse, cars are sent in for repair before their scheduled inspection times. This disrupts work operations and causes slippages.

The marshalling yards are also in a bad state. Among the approximately 100 marshalling yards (in perspective there are supposed to be 50), one can count on the fingers of one hand the number of yards that possess elementary technical equipment. As a rule switches are shifted manually, braking is accomplished with so-called skids which leads to damages to the cars and slow formation for

car drafts. Last year the so-called turnaround time (elapsed time between car loading and unloading) increased by approximately 10 percent, and the railroad haulage capacity decreased by about 388 million tons, or close to 9 percent of planned freight haulage for that year.

Now for some comments concerning containerization. This system of transport markedly decreases car turnaround time. A great deal already has been written about the advantages of containerization which has initiated a worldwide renaissance for railroads. However, let us not forget that containerization is possible only when equipment to load and unload containers is available, both at railroad depots and customer facilities.

The reason why the PKP is slow in adopting containerization (by 1975 there were supposed to be several dozen container stations) is not their fault exclusively. Only 1 percent of PKP's freight is containerized.

Railroad passenger traffic safety should be included in the list of the most neglected PKP activities. The so-called automatic block system is employed on 800 km of lines, or 3 percent of the network; it should be about 30 percent. The block system is of utmost significance vis-a-vis improving traffic capacity. Installation of the blocks on the Debica-Medyka line will be 11 times cheaper than the construction of a third line and will ensure the same traffic capacity.

The very important PKP requirements (among others) presented above are well known today. They point the way to practical action. Of course not all shortcomings will be corrected at once. It is certain, however, that in a country with an industrial potential like ours, raising the technical facilities to their proper levels should not be treated as something happening far off in the future. Certainly, especially now, every zloty for PKP should be disbursed with appropriate care. The latest decisions of the country's leadership regarding transport are solidly grounded. Above all they emphasize that which today should and could be realistically and concretely executed by and adapted to the PKP. To this end, the 1976-1977 funds to expand the railroad are higher than the funds for the previous 5-year period.

#### Roads and Motor Vehicles

One of the essential conditions for outlay effectiveness for the railroad is the proper development of the other types of transport, including, above all, the railroad's largest partner in hauling domestic freight, that is truck transport. Let us not forget that by 1980 truck transport is supposed to increase by 60 percent. This will not be easy; already last year this transport had difficulty in executing its plan.

There are many problems. We have many outstanding tasks to accomplish in order to expand the network of highways. To compensate for deficiencies, we are proceeding vigorously. We are building regional highways for fast traffic, of which the showplace is the Warsaw-Katowice route. Over the next few years there will be approximately 700 km of such arteries. Let us remember, however, that the number of automobiles increases annually by about 300,000 units, and in 1980 there will be twice as many than in 1975 and over four times as many

than in 1970! The fleet of trucks and buses is also increasing rapidly. It is estimated that for modern motor vehicle transport we will need in Poland over 30,000 km of roads capable of handling heavy trucks having weights of 10 tons per axle. The hard-surface road network should increase from approximately 146,000 to 220,000 km. Seventy railroad crossings, which block traffic for an average of approximately 2.5 hours a day, still have to be eliminated.

Obviously, the functioning of truck transport is linked to the technical condition of the roads. Over the next few years the roads will not change much. Such is the reality. As with the PKP, greater truck transport capacity will have to be obtained via containerization. After years of competition, collaboration between the two transport facilities is presently developing on the basis of other principles. Calculations on containerization indicate that costs are lowered and customer service speeded up to such an extent that hauling goods by truck over the longer distances is no longer profitable. In Poland, speedy customer service is especially bad. For example: on the 29 km regular State Motor Transport [PKS] route between Radom and Pionki, the effective roundtrip time is 90 minutes but the loading and unloading time averages 8 hours. In Poland, commercial freight moves on an average of about 19 km/hr; in countries using containerization, it is about 40 km/hr.

Just like the PKP, transport by truck suffers because of inadequate workshop facilities. Since 1960, the mentioned PKP freight transport divisions in Radom received only 6 instead of 40 repair stations; such requirements result from the increase in rolling stock during this time. This state of affairs means that a facility requires an additional 50 vehicles daily. On a national scale, this example certainly cannot be generalized to the same degree. The partial technical paralysis of the facilities of this transport branch, however, is a fact and represents a serious obstacle.

Presently, truck transport is concentrated in about 3,500 plants and in over 160 large enterprises such as the PKS, Transbud, and the like. Some have over several dozen various makes and types of vehicles. This makes the management of spare parts and repairs very difficult. Last year, about 15 percent of all disabled vehicles in the truck fleet were incapacitated because of spare parts shortages. This meant a deficit of about 18,000 vehicles in the daily traffic movement.

Today, it appears, that containerization, improving the status of the operating facilities, and managing spare parts are the most important matters for truck transport.

#### All Possibilities

In the transport development programs, inland navigation, to which POLITYKA at times has devoted some attention, takes on increasingly greater significance. By 1980, freight traffic on the Oder River is supposed to increase threefold, reaching 25 million tons of cargo annually. In the immediate future, other water transport capabilities are not great. The eventual construction of a central canal, the usefulness of which is, after all, debatable, is a long-term goal similar to the full regulation of the Vistula from Torun to up river. The Dwory,

Smolice and Kosciuszko locks will be constructed at the upper run of the Vistula River by 1980. Because of this investment, cargo hauled via the Vistula from Slask to Krakow will increase greatly. However, one cannot count on much more than 5 million tons of cargo to be transported on the Vistula in 1980 due to the navigation on the lower part of the river and the Bydgoszcz Canal together.

Likewise, in order to transport 25 million tons of goods on the Oder River route a great deal has to be done. Repairs of the river shipyards are especially important. Several dozen new weirs and many other hydrotechnical objects are needed. The low water level makes it impossible to fully utilize fleet cargo capacity. Instead of carrying 1,000 tons, the push units can only take 650 tons.

Intraplant transport is an important link in the transport system. In terms of transport costs for the economy as a whole, intraplant transport occupies an important position, and for this reason alone intraplant transport should not be considered by individual enterprises as an unimportant technical task. In the large Predom Association factory, which produces for the domestic and export markets, the interplant transport fleet increased sixfold since 1958; on the other hand, however, no equipment had been received to maintain operating efficiency. Our achievements vis-a-vis production of vehicles for intraplant transport are significant. We produce various types of electric-battery trucks, platforms, "meleks" [small battery-operated trucks], lifts of various hoisting capacities, electric dump cars, and the like. Unfortunately, the result of these achievements does not decrease the permanent shortage of spare parts and their improper distribution. In the above mentioned factory, 20 percent of the vehicles are in constant repair due to lack of parts.

In the overall characterization of transport problems in the national economy, I am ignoring passenger transport and its individual problems. The sources of many of these problems are the same as those for freight transport.

The primary concern for the overall transport system is its careful adaptation to the overall level of our economy. There are gaps in the technological level in all transport branches. It is not difficult to properly classify the most essential requirements, to assign appropriate rankings. The rest depends on the efforts of all branches of our industry. For our transport needs, shortages of electric conduits, sheet metal, cement, machine tools, so-called labor force and the like can no longer be tolerated. Individual departmental interests must be subordinate to the current goal which is to create the practical possibility of improving transport operations.

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