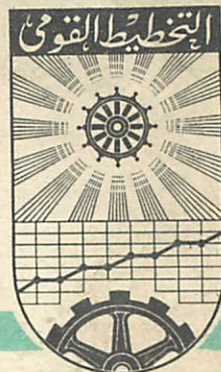


# ARAB REPUBLIC OF EGYPT

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## THE INSTITUTE OF NATIONAL PLANNING



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### ECONOMIC INTEGRATION AMONG SOCIALIST COUNTRIES

By

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COUNTRIES**

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## Economic Integration among Socialist Countries

### Introduction:

Increasing internationalization of the economic life is one of the phenomena of the economic development in the second half of this century, resulting above all from the necessities of the scientific-technical revolution and its requirements as to the national economies. This development seems to be more or less independent from the existing socio-economic conditions in the countries concerned. The establishment of integrating communities among groups of socialist countries, western countries and developing countries is an expression of this tendency.

Thus theory and practice of international economic cooperation and integration are an important subject of discussion among economists in all parts of the world<sup>1)</sup> and a theory of economic integration is being elaborated.<sup>2)</sup> These problems are of special importance for developing countries- e.g. for Arab states accord-

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- 1) See the papers of the Fourth World Congress of the International Economic Association on "Economic Integration: World Wide, Regional, Sectoral" BUDAPEST, 19-24 August 1974.
  - 2) See: Balassa, Bela "Towards a Theory of Economic Integration" Kyklos, 1961, pp.1-14, G.Kohlmeier "Economic Theory and Socialist Integration" Academy Publishing House, GDR, Berlin, 1975, Senin, "Socialist Integration", Progress Publishers, Moscow, 1973.



ing to the purposes of the Agreement of Arab Economic Unity- in the struggle of these countries for creating "the best conditions for the prosperity of their economy, the development of their wealth and reinforcement of their welfare"<sup>3)</sup>. Hence it follows that analyses of the experiences of integrating groups of western countries (EEC) and socialist countries (CMEA) with regard to the principles, aims and the mechanism of economic integration should be of some interest for economists of developing countries.

This paper is aimed at analysing some aspects of economic cooperation and integration among socialist countries in the framework of CMEA. The process of establishing the integrating community of CMEA countries will be presented especially under the historical view in conformity with changing internal and external conditions.

In the first chapter you find a general view on the historical development of economic cooperation and integration from lower to higher stages and an analysis of some results of this process. Chapter two comprises the system and the elements of the mechanism of economic cooperation under socialist conditions i.e. taking for granted public ownership of the most important

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3) See: "Council of Arab Economic Unity-What is it, what is it for, What did it?" Cairo, 1976, p. 5.



means of production and a system of socialist planning of the national economy in the countries concerned. According to the outstanding role of cooperation in planning as the main instrument of socialist economic integration methods, tendencies and problems in connection with this subject are dealt with in the third chapter.



(1) Historical Development of Economic Cooperation among the Member Countries of the CMEA.

1.1 Starting conditions for the economic cooperation among CMEA countries.

The possible success in establishing integrating communities depends to a high degree on the political and economic conditions and relations within and between the countries concerned, e.g. the socioeconomic conditions, the level of the economic development, the level and the structure of the international economic relations between these countries and to third countries etc. An analysis of these conditions will help to decide whether the establishment of an integrating community is possible at all at the time being and what aims, methods and organizational forms should be chosen. When comparing the results of existing integrating groups, e.g. of EEC and CMEA, the starting conditions of the countries concerned have to be considered too.

The conditions for establishing the community of CMEA countries at the end of the forties can be characterized as follows:<sup>4)</sup>

1. The political situation in Europe in the wake of the second world war favoured the economic cooperation among East European socialist countries, above all due to the following reasons:

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4) See: N.W. Faddejew "The Council of Mutual Economic Aid" Moscow, 1974, Chapter 1.

- a- Using the experiences of the USSR several East European countries began moving to socialist societies;
  - b- Europe was divided into two opposed groups of countries with different political and socio-economic conditions and structures;
  - c- The beginning of the "cold war", especially the function of the U.S. "Marshall-plan-aide-programme" for West European countries and the establishment of the "Coordinating committee for East-West Trade Policy (COCOM)" in Paris, aimed at introducing and implementing a comprehensive embargo-policy against socialist countries, stimulated a closer economic cooperation among East  
5)  
European socialist countries.
2. Uniform socio-economic conditions in socialist countries, based on the same political and ideological relations and the transition to social ownership of the most important means of production, were fundamental prerequisites for the foundation of an integrating community. This is in conformity with our opinion in principle that establishing an integrating community is possible only in the case of uniform socioeconomic conditions of the countries concerned. At the same time there existed interdependences between the estab-

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5) See: E, Hoffmann "Comecon-The Common Market in East-Europe" C.W. Leske Publishing House, Opladen, FRG, 1961, p.13.



ishment of this community and the gradual development of a socialist world market with favourable repercussions on the economic cooperation among this group of countries.<sup>6)</sup>

3. Resulting from different conditions in the historical development and from the huge losses during the second world war, the economic level in the member countries of the CMEA community as a whole was much lower than the respective level in the West European Economic Community (EEC). In addition to it, the differences with regard to the economic level were extremely high between the countries of this area. By reason of the economic situation in the pre-war time Czechoslovakia and the GDR were already highly developed industrialized countries. But the division of Germany into two separate states had a lot of negative effects on the proportional development of the national economy of the GDR, as the greatest deposits of raw materials and the centre of the heavy industry were situated in the western part of the country. Other countries like Romania, Bulgaria, Hungary and Poland were characterized at that time by a predominantly agrarian structure of the national economy, by a low level of labour productivity and a low national income per capita.<sup>7)</sup>

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6) See: "Socialist World Economic System" Volume 1, Publishing House Mysl, Moscow, 1967.

7) See: In detail: N.W. Faddejew. Op. cit, p. 23-44.

These great differences had negative effects on the level and the structure of the economic cooperation in the first stages of the development of the CMEA community, especially in the field of scientific-technical and industrial cooperation. Hence it followed that evening out the economic development levels of the individual member countries was one of the main purposes from the early beginning. New problems in this field have to be solved in connection with the widening of this integrating group of countries by the membership of Mongolia (1962), Cuba (1972) and Vietnam (1978).

4. The share of the intra-trade between the member countries of an integrating community in the total foreign trade of the countries concerned is one of the most important figures characterizing the degree of economic integration. Different from the situation in the EEC the export- and import relations between the East European countries at the end of the forties were on a very low level. This was due above all to the structure of European East-West-trade in the pre-war time (in general there was an exchange of industrial commodities from Western countries against agricultural goods and other raw materials from Eastern countries) and to the specific problems arising from



the division of the former Germany into two separate states.

Thus great efforts had to be undertaken, in order to change the regional structure of foreign trade of the East European socialist countries by raising the share of the intra-area trade. This problem is at the same time connected with the general question of determining optimal relations between intra-trade within an integrating community and foreign trade with third countries.<sup>8)</sup>

5. Further factors with far reaching impact on economic cooperation and integration among groups of countries are the existence and the regional distribution of natural resources, especially of vital raw materials and fuels, and the communication system. As to natural resources, the starting conditions of CMEA countries were favourable for economic cooperation. Resulting from the huge deposits of the USSR of coal, mineral ores, crude oil, timber etc. and according to the agricultural potential of the countries concerned as a whole a high degree of self sufficiency with the most important primary goods, e.g. in the field of energy, was and is possible for this integrating community. This does not mean a policy towards economic autarchy, but it promotes the stability of economic growth within this area and reduces negative

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8) See: Paragraph 1.4 and 2.6.

effects in the case of discriminating measures by imperialist countries (e.g. during the cold war in the fifties, when the U.S.A. and other Western countries applied a strict embargo policy against socialist countries). At the same time, the location conditions in the field of raw materials are closely connected with the problem of communication within this group of countries. Whereas the regional complex of East European countries, the nearness of most of the member countries and a well developed transportation system within and between these countries, favour the process of economic cooperation in principle <sup>9)</sup>, there exist some difficult transport problems with regard to a lot of raw materials. The bulk of deposits of the most important minerals, timber etc, is located in the Eastern regions of the USSR, in Siberia, whereas the centres of consumption are in the Western parts of the Soviet Union and in the other member countries of the CMEA. Hence it follows that in addition to high costs of exploration according to the extreme climatic conditions of this area great transport problems have to be solved in this field. Resulting from it, two of the so called "long-term joint cooperation programmes" of the CMEA refer to the problems of raw materials and of the transportation system between CMEA

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9) Special problems in this field arise from the different width of track of the railway in the USSR and the other East European countries and from transportation distances to Mongolia, Cuba and Vietnam.



10)  
countries .

Summarizing we can say that the political and economic conditions in the wake of the second world war favoured and stimulated the establishment of an economic community of socialist countries in principle, but that at the same time some negative factors handicapped the process of economic co-operation and integration which have to be taken into account when comparing the results between the integrating communities of CMEA and EEC.

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10) See in detail paragraph 3.4.

1.2. The foundation of the CMEA- The main instrument for organizing the economic cooperation

The process of economic cooperation and integration among a group of countries is influenced in any case by the institutional procedure and the effectiveness of the joint organizations, responsible for organizing and coordinating the activities of certain international economic communities like the EEC, CMEA or the Council of Arab Economic Unity. Aims, principles and the structure of such institutions will differ depending upon the political and economic conditions within the countries concerned and the reached level of international economic relations between them.

Resulting from the aforementioned conditions and necessities the CMEA was founded in 1949. Member countries are since 1949: Bulgaria, Czechoslovakia, Hungary, Poland, Romania, USSR (Albania joined 1949, too, but ceased collaboration 1961).

- 1950 : GDR
- 1962    Mongolia,
- 1972 : Cuba
- 1978 : Vietnam



The CMEA was founded as a regional organization of European socialist countries. Since 1962 Asian and American socialist countries are members, too. Thus new tasks and problems arise resulting from considerable differences in the economic structure and level of some member countries and from regional aspects.

In the following we shall concentrate on some selected problems which may be of special interest for international economic cooperation and integration among developing countries.

1. In the statute of CMEA it is stated that the membership in this organization is possible for other countries, too, "joining to the aims and principles of the council and agreeing to accept the duties laid down in the present statute".

This means among other things that only those countries can be members of CMEA which are characterized by socialist planned national economies based on social ownership of the most important means of production. The decisive role of central planning in managing the national economies within the member countries is a necessary prerequisite for the whole mechanism of this specific socialist type of economic

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11) Published in Law Gazette of the GDR, Part 2, of 14 June 1976.

12)  
integration .

Uniform political and socio-economic conditions and aims in the countries concerned will be of great importance, too, in the case of establishing integrating communities by groups of developing countries.

2. Promotion of economic cooperation through the activities of CMEA is carried out in accordance with the principles of mutual advantage and friendly mutual assistance. How these principles are put into practice can be demonstrated among other things by the kind of price formation in foreign trade among CMEA countries<sup>13)</sup>, by supplying all the member countries with the most important raw materials and fuels through the Soviet Union and by a lot of special measures for supporting the less developed member countries in the fields of industrialization, education and training of specialists, scientific-technical development etc.

3. Optimal connection of the national interests of the individual countries and the joint or international interests of the integrating community as a whole is a general problem in the

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12) See in detail paragraph 2.1.

13) See in detail paragraph 2.3.

case of international economic cooperation and integration.

The work of CMEA is characterized in this regard by the principles of respecting the national sovereignty, independence and national interests of each country and is based on a footing of complete equality. Different from the situation in the EEC, there exist no supranational organs in the framework of CMEA,<sup>13a)</sup> in the procedure of decision making each country has the same right, independent from the size, and decisions are adopted only on the basis of unanimity. The CMEA has no power to impose any decision against the will of the interested country.

4. In contrast to West European integration, whose primary aim is to establish a common market, the activities of the CMEA have from the outset been oriented towards joint efforts in tackling above all production and technological problems, shaping a modern, highly efficient economic structure in the member countries, accelerating scientific and technical progress and rationalizing the international division of labour.

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13 a) See in detail paragraph 2.4.

In accordance with these purposes, standing commissions of different branches of the national economies as parts of the institutional structure of the CMEA (see appendix 1) are engaged to a great extent in the process of preparing and coordinating the conclusion of bilateral and multilateral agreements between the responsible organs of the member countries on cooperation in the fields of production, scientific-technical development and investments.

5. Another fundamental characteristic of CMEA, which differs in principle from the EEC, is the absence of discriminating common customs barriers against third countries. At the same time, foreign economic policy and the conclusion of international agreements with third countries are the full responsibility of the individual member countries and are not subject of the CMEA or one of its organs.

1.3. Forms and methods of economic cooperation and integration among CMEA countries in different stages of the development.

Internal and external conditions influencing integration processes among groups of developing countries will change permanently in conformity with the historical development in general and certain specialities in individual countries or regions in particular. Thus it might be useful to analyze forms and methods



of economic cooperation and integration among socialist countries under different historical conditions.

Up to now we can subdivide this development into 4 stages:

- 1945 - 1949
- 1949 until the early sixties.
- from the early sixties until the early seventies
- from the early seventies

a) First stage: 1945 - 1949

This stage is characterized by first steps of introducing new forms of international economic relations among a group of countries and the beginning of shaping a socialist world market.

Quality and quantity of economic relations between East European countries, which were very low at the beginning of this period, were influenced in the first line by changing socio-economic conditions within these countries, Public ownership became to be the predominant form in industry, banking, transportation and foreign trade during this period, whereas the development differed considerably between the countries in the field of agriculture (with regard to the shares of private farms, socialist cooperatives and state owned farms) and in internal trade.

Based on this new role of the public sector in the national economies as a whole and using the experiences of central planning in the Soviet Union since about twenty years the other countries of this area started their first attempts in socialist planning.

International relations between these countries were characterized above all by bilateral political economic and military relations with the Soviet Union. The level of intra-area economic relations was very low in the beginning, but the regional structure of foreign economic relations of all the countries concerned changed considerably during this stage in favour of intrabloc relations. This development was caused above all by:

- The important role of economic relations with the Soviet Union for all the other countries of the area in this period of reconstruction of the national economies after the great destructions during the second world war;
- decisions of the U.S. Congress in March 1948 on an economic blockade against socialist countries (the governments of U.K and France joined to these conclusions).

Economic cooperation among this group of countries in this first stage can be characterized as follows:

1. Bilateral agreements between the individual countries and the USSR on economic cooperation including deliveries of raw materials and industrial equipments, transfer of technological documentations without charge and granting credits as parts of the economic aid of the Soviet Union were the core of international economic relations of the countries of this region. At the end of this period the Soviet Union ranked first in the foreign trade of all the other countries and the share of these countries in the foreign trade of the Soviet Union amounted to more than 70%.
2. Foreign trade was the main form of intra-area international economic relations whereas such forms like industrial cooperation were scarcely in action. Complementary function of foreign trade played an overwhelming role, the substitutive function almost completely missing.
3. Prices in intra-area trade were formed on the basis of actual world market prices.
4. International economic cooperation was carried out above all in bilateral relations between the countries of this region. But changing conditions within the socialist countries, the development of intra-bloc relations and

problems in the field of economic relations with third countries - last not least arising from the economic blockade by western countries-required more and more common actions and certain forms of multilateral cooperation. Thus the Council of Mutual Economic Aid (CMEA) was founded in 1949.

b) Second Stage: 1949 until the early sixties

The period can be described as the origin of a new type of international division of labour, the generation of a world socialist economy and - as a part of it - a relatively independent world socialist market. The material structures as well as forms and methods of international division of labour changed fundamentally as compared with the situation before. The separation of a global, uniform world capitalist economy into two different world economic systems seems to be very important, too, with regard to the struggle of developing countries for a "New International Economic Order".

These changes in the kind of international economic cooperation among socialist countries were caused and at the same time stimulated above all by:



- Completion of socialist ownership relations and the systems of planning and managing the national economies within the member countries of this community and
- new joint activities on the international level in the framework of CMEA.

The main characteristics of this second stage of economic cooperation among CMEA countries can be described as follows:

1. Multilateral cooperation increased considerably both in organizing material economic relations between the member countries and in settling general methods for carrying out economic processes (e.g. in price-formation, clearing of export and import relations in intra-bloc trade etc.)

These activities were organized and coordinated by the CMEA and its organs. Hence it follows that there exists now a combination of multilateral and bilateral forms of economic cooperation.

2. During this stage first steps were realized in coordinating the five-year national economic plans among the member countries. This procedure started in 1955 for the period 1956-1960.

3. Mutual economic relations among CMEA countries were going to be more and more diversified and comprehensive. In addition to foreign trade the economic cooperation includes now activities in the fields of scientific-technical development, production, investments, transportation etc.

First agreements on scientific-technical and industrial

cooperation are concluded in the fifties and the first joint measures are carried out in the field of communication (construction of the crude oil pipe line "Friendship" and establishment of a "joint-goods-wagon-pool").

4. Mutual foreign trade relations are characterized now by a higher degree of stability and long-term relations. This is caused above all by a higher level of national planning within the countries concerned, by international plan coordination and the conclusion of bilateral five-year foreign trade agreements fixing the commodity structure of export and import.
5. New principles of price formation were introduced with regard to intra-trade relations. As a first step (1951-1957) clearing prices were left unchanged on the basis of average world market prices of a preceding period (average prices 1949/first half 1950 for clearing prices 1951-1956 and average prices 1956 for mutual prices 1957). Since 1958 a completely new system of CMEA contract prices is in action leading to a special level and structure of international prices in foreign trade between these countries deviating from actual world market prices and deviating, too, from

internal prices in the member countries.<sup>14)</sup>

c) Third Stage: from the early sixties until the early seventies

Based on the results and experiences of international economic relations among CMEA countries during the second stage and remarkable progress in the economic development within the member countries, the whole system of economic cooperation was accomplished. At the same time some contradictions arose between the objective requirements of scientific-technical progress and internationalization of the economic life on the one hand and the effectiveness of international economic cooperation in the CMEA area on the other hand<sup>15)</sup>. Thus it became necessary to attain a new quality in the work of CMEA and at the end of this period the so-called "Aggregate Programme for Further Deepening and Improving Cooperation and Developing Socialist Economic Integration of the CMEA Member-Countries" was adopted<sup>16)</sup>.

The procedure of economic cooperation was improved during this stage above all by the following tendencies respectively measures:

14) See in detail paragraph 2.3.

15) See in detail paragraph 1.4.

16) See Documents of CMEA, State Publishing House of the GDR, Berlin, 1971.



1. Cooperation in the field of planning was accomplished to a high extent and became the main method of organizing economic cooperation among CMEA countries. A whole system comprising different forms and instruments was elaborated and interrelations between planning the national economies through the individual member countries and international cooperation in planning gained increasing importance<sup>17)</sup>.
2. Cooperation in the field of production, including scientific-technical and investments cooperation, became to be more and more the core of international economic relations among CMEA countries. The volume, commodity-and regional structure of export and import, especially in the field of mechanical and electrical engineering products, equipment and means of transport, result now to a high extent from agreements on specialization and cooperation of production.
3. In connection with the foundation of the "International Bank of Economic Cooperation" and the introduction of the transferable rouble as an international currency of a new type a multilateral clearing system in intra-bloc foreign trade came to be in action(1964)<sup>18)</sup>.

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17) See in detail paragraph 3.1 and 3.2.

18) See in detail paragraph 2.3.

4. 1971 the "International Investment Bank" was founded, granting medium and long-term credits for important subjects of common interest of the CMEA community. Credits are granted in transferable roubles or in convertible currencies.
5. A lot of joint economic organizations of CMEA countries for different purposes were founded during this period (see appendix 2), aimed at solving special problems of economic cooperation. One of the reasons for this development was the intention to speed up the process of international specialization and cooperation in certain branches or groups of commodities in addition to the activities arranged by the respective standing commissions of CMEA (see appendix 1).<sup>19)</sup>

d) Fourth stage: from the early seventies

The community of CMEA countries is now at the beginning of a qualitatively new stage of economic cooperation, characterized as "Socialist economic integration". Opposite to other opinions in theory and practice<sup>20)</sup> we hold the view that the categories "economic cooperation" and "economic integration" should be distinguished in such a sense that integration expresses a special

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19) See in detail paragraph 2.5.

20) See for instance some papers of the Fourth World Congress of the International Economic Association, Budapest, 1974, on "Economic Integration: Worldwide, Regional, Territorial.

quality on a high level of economic cooperation.

The problem of characterizing economic integration is of general importance in regard to respective processes among socialist countries, western countries and developing countries. According to our view the following characteristics should be considered when speaking about economic integration in general, independent from the socio-economic conditions in the groups of countries concerned:<sup>21)</sup>

1. Economic integration is a process of the development of stable and comprehensive relations and of the division of labour between national economies leading to the establishment of "international economic complexes".
2. It is a regulated process requiring conscious and coordinated activities of the states concerned in shaping the economic relations.
3. Economic integration is predominately (but not exclusively) oriented on regional groupings.
4. In the course of integration deep-going structural changes take place in the national economies leading to new pro-

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21) See Kuch, Kroske, "Economic Cooperation and Integration of Developing Countries"- Academy Publishing House, Berlin GDR, 1976, Page 17.

portions between certain branches aimed at raising the productivity of social work in the countries concerned.

5. Economic integration is closely linked with political and social relations. Hence it follows that opposite to international economic cooperation in general establishing integrating communities is possible only among countries of the same socio-economic type.

Socialist economic integration is considered to be a long-term historical process covering several stages depending upon the respective internal and external conditions. Aims and methods of integration will change, too, in conformity with the reached level of internationalization of the economic life. The present first stage of economic integration among CMEA countries is based upon the results and the experiences of the past periods of cooperation. In so far it is a continuation of the preceding process. At the same time, this stage is characterized by some new elements and tendencies as follows:

1. The above mentioned aggregate programme for socialist economic integration, adopted at the 25<sup>th</sup> session of the CMEA 1971 is the first common document of these countries fixing a long-term joint strategy on economic and scientific-



technical cooperation for a period of about 15 to 20 years. In addition to the aims and methods of the futural cooperation in principle this programme contains more than 200 concrete measures of international cooperation in different fields of the development of the national economies.

2. According to the dimensions, volume and intensity of economic, scientific and technological relations between the CMEA member countries and their impact on the national economies, economic integration is now a decisive factor for the development of the national economy as a whole in all the countries of this community. In connection with increasingly adapting the national economies to each other international regional economic complexes in some selected branches are coming into existence.
3. Based on different methods, instruments and institutions for organizing economic cooperation being already in action, an aggregate mechanism of economic integration is being established providing full consistency between all the elements of this system and aimed at stimulating optimal decisions on all levels concerned. In this connection interrelations

are taken into consideration between the structure and the development of this mechanism and the systems of management and planning within the individual countries.<sup>22)</sup>

4. According to the role of cooperation in the field of planning as the main instrument of socialist economic integration this system consisting of several components is being accomplished and improved as a whole and was completed up to now by the following elements:

- drawing up of a coordinated plan for multilaterally agreed integration measures on the CMEA level and of corresponding sections of the national economic plans;
- elaborating joint long-term "cooperation programmes" for selected branches or groups of commodities.

The new tendency in this field is characterized above all by a higher degree of joint planning, taking into consideration the conditions and aims of the integrating community as a whole as compared with the coordination of national planning activities, starting from the conditions

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22) See in detail paragraph 2.1. and 2.2.

and aims of the national economies of the individual countries<sup>22a)</sup>.

5. In addition to measures provided for making cooperation in planning more effective and interrelated with them efforts are made aimed at raising the role of commodity-money-relations and the effectiveness of market categories in the process of economic integration. This is in conformity with the general idea of connecting planning and the use of market elements in socialist economics.

These measures include among other things the introduction of new methods leading to a higher flexibility in forming prices in intra-CMEA trade, an increase of the role of medium-and long-term credits (bi-and multilateral), especially connected with joint investments, and some financial regulations in connection with the activities of the new international economic associations. As to the use of the transferable rouble and exchange rates in the afore mentioned "programme of socialist economic integration" it is stated that the conditions for new steps with regard to convertibility of the collective currency and the national currencies and the transition to unified ex-

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22a) See in detail chapter 3.

change rates are to be investigated<sup>23)</sup>.

6. The tendency of increasing integration among CMEA countries is accompanied simultaneously by efforts aimed at raising and improving economic cooperation with third countries, especially with developing countries. The following may illustrate this development<sup>24)</sup>:

- Agreements concerning cooperation between the CMEA and the Republic of Iraq and Mexico were concluded in 1972;
- an agreement on cooperation between the CMEA and Finland was concluded in 1973;
- a special fund was established with the international investment bank of the CMEA countries serving to credit measures taken to render economic and technical assistance to developing countries(1974);
- based on a lot of bilateral and multilaterel agreements foreign trade and other foreign economic relations

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23) See in detail paragraph 2.3.

24) See in detail paragraph 2.6.

between CMEA countries and developing countries rose above average since the beginning of the seventies.

The general idea is aimed at finding an optimal relation between economic integration among a group of socialist countries and international economic cooperation on a worldwide scale.

1,4, Some results of economic cooperation among CMEA countries

When assessing the results of economic cooperation among CMEA countries in the past 30 years, the most remarkable event seems to be the establishment of a completely new kind of international division of labour, connected with the creation of a world socialist market and leading to a new type of international economic relations among this group of socialist countries different from economic relations between capitalist countries.

The economic development of the countries of this community as a whole is characterized in the first line by stable and dynamic growth rates without cyclical crises and by reducing the gap between highly industrialized countries and formerly less developed countries in a historically short period. But resulting from comparatively bad starting condi-



tions the average level of labour productivity and national income per capita is still lower than in the most advanced western countries.

In the following some selected results of economic co-operation will be presented in detail:

1. Growth rates of industrial production are a main indicator for economic development as a whole. Though the results in this field are caused in the first line by conditions and efforts within the individual countries it goes without saying that economic cooperation among CMEA countries, especially through cooperation in planning and agreements on specialization and cooperation of production as well as on mutual foreign trade, influenced this process to a high extent.

Table 1:

Average annual growth rates of industrial production of CMEA countries (percentages):

Country	1961/65	1966/70	1971/75	1975/77
Bulgaria	11,7	10,9	9,1	6,5
Hungary	7,5	6,2	6,4	4,6
G.D.R.	5,8	6,5	6,5	5,6
Cuba	-	-	8,7	4,0
Mongolia	9,8	9,9	9,2	7,0
Poland	8,4	8,3	10,4	9,0
Romania	13,8	11,9	12,9	12,0
U.S.S.R.	8,6	8,5	7,4	4,5
Czechoslovakia	5,2	6,7	6,7	6,4

Source: Statistical yearbooks of CMEA

Table 2:

Average annual growth rates of industrial production  
in selected countries or groups of countries (percentages)

	1961/65	1966/70	1971/75
CMEA Countries	8,3	8,3	7,7
EEC - Countries	4,7	5,5	1,6
U S A	6,1	3,7	1,7
Japan	11,3	15,9	1,9
Developing Countries	6,8	7,1	6,3

Source: Own calculations based on published statistics.

These figures demonstrate the positive results of a planned, stable and dynamic economic development both in the CMEA community as a whole and in the single member countries. Advantages both of planning the national economies and of international cooperation in planning become obvious above all in periods of depression in western economies in the seventies.

At the same time we have to take into account still existing shortcomings as to the technological level, labour productivity and efficiency in some branches and declining growth rates in the last period in some countries, caused by the effects of worsening terms of trade or by repercussions from other branches of the national economy (e.g. poor harvests in the agricul-

ture of some countries).

2. According to the general aims and principles of economic cooperation among CMEA countries considerable progress was made in the field of evening out the economic development levels of the individual member countries. Figures in table 1 show e.g. that industrial growth rates of such countries like Bulgaria and Romania were and are much higher than those of other countries.

As to the national income per capita the difference between the highest and the lowest level in the European member countries was reduced considerably. Whereas deviations from the average level in the early fifties amounted to about 55% they decreased<sup>25)</sup> in a period of 25 years to 20 to 25%.

During the same period the maximum difference in regard to the level of productivity of social work was reduced from 109% to 52%.<sup>26)</sup> The same

tendency of approximating the economic levels can be proved in the fields of industrialization, the branch structure of the

national economies as a whole, the share of college graduates and of skilled workers in the labour force of the country etc.

25) See: "Socialist Foreign Economic Relations", Berlin, GDR 1976, Page 49.

26) See: Economic science, 5/1977, Moscow, Page 94.

New problems to be solved in this field in the future will arise following the membership of countries like Cuba and Vietnam.

3. As we mentioned before, economic cooperation and integration among CMEA countries is not characterized in the first line by establishing a common market but by creating and strengthening stable and deep-going relations of cooperation in the fields of science and technology, investments and production and resulting from it changing and more and more mutually adapting the structures of the national economies of the integrating community. Balassa distinguishes in this respect between "market integration" (see e.g. the development of EEC) and "production and development integration"<sup>27)</sup>

Some results in this field of cooperation are as follows:

- a) Based on several hundred bilateral and multilateral agreements on scientific-technical cooperation a high degree of common research work on the international level was realized. In the middle of the seventies more than 1,700 scientific institutions of CMEA countries (institutes of academies of

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27) See: Bela Balassa "Types of Economic Integration" Paper at the Fourth World Congress of the JEA, Budapest, 1974, P. 5.



sciences and universities, research institutes in different branches of the national economies) were involved in this international cooperation, applying different forms and methods.<sup>28)</sup> In some fields common international research centres and design offices were established. This mechanism has helped, for instance, to design and arrange production on the lines of international specialization and cooperation of a common CMEA third -generation computer system.

- b) Cooperation in the field of investments led among other things to joint construction of international oil and gas pipeline networks and of some great projects for exploitation and processing important raw materials according to the location of minerals. These joint investments were concentrated above all in the USSR (crude oil, iron ore, cellulose, asbestos, phosphoric acid etc) being the greatest supplier of minerals and fuels for all the other CMEA countries. Further examples are the cooperation in exploiting and processing the deposits of copper and molybdenum in Mongolia and of nickel in Cuba.

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28) See P.A, Lebin "Scientific-technical Revolution and Socialist Integration" Publishing House Science, Moscow 1973 p.84

- c) The structure of industrial production, export and import of CMEA countries, especially of the smaller ones, was changed to a high extent by a great number of long-term bilateral and multilateral agreements on specialization and cooperation of production. Whereas specialization in the production of final products and between different industrial branches was the prevailing form in the first period of cooperation, the present and futural development is characterized more and more by specialization in the production of parts and sub-assemblies (i.e. within a certain branch) in connection with international cooperation in the stage of final production. Typical examples for the first type are the specialization on buses (Hungary) and motor cars (GDR, CSSR) or on the concentrated production of different kinds of tractors in USSR, Poland, GDR. The second type is realized inter alia in the cooperated production of a highly sophisticated mechanical rape harvester by the USSR, Bulgaria and GDR, each country producing certain parts.

There are different opinions as to the futural tendency of both types. We hold the view that a combination of them will continue also in the future, depending upon the concrete

conditions as regards the technology of production, the costs for transporting various parts or semi-manufactured goods between the countries involved etc.

- d) Resulting from the manifold forms of economic cooperation, above all the cooperation in planning and the aforementioned methods according to paragraphs a - c, the intra-area trade, which was on an insignificant level until the second world war, holds now a share of about 60% of the overall foreign trade of the countries of this community. Notwithstanding some short-terms deviations, this level has been maintained since more than twenty years.

Besides these positive results of economic cooperation and integration among CMEA countries some unsolved problems and shortcomings have to be considered, too. In spite of the dynamic and stable development of the national economies of the member countries, which was promoted to a certain degree by using the advantages of international division of labour in general and of economic integration in particular, there exist certain problems as regards the sufficient supply with some selected consumer goods, the efficiency of production and the external equilibrium of the national economy, above all with regard to trade relations with western countries.

These deficiencies are caused in the first line by the aforementioned initial conditions within these countries and by the well known market conditions in the world capitalist economic system with negative impacts on foreign economic relations between CMEA countries and western countries.

But in addition to those main reasons it is obvious that the great possibilities of joining the resources of the integrating community as a whole in order to achieve a high efficiency of the economic processes in all the countries concerned were not yet used in a sufficient way. Though the systems of planning and management within the member countries and the respective regulations and institutional measures were aimed at promoting international cooperation and integration in principle, some unsolved problems hindered up to now greater progress in this field.

A major problem in this connection consists in reaching full conformity between the general economic strategy on the top level of the national economy with the common or international interests of the integrating community on the one hand and the material interests of the industrial and other enterprises involved in international economic integration on the



other hand. Experiences prove for instance that it will be necessary to improve further the use of value factors like prices and credits and their uncontradicted inclusion in the planning system both on the national and the international level.<sup>29)</sup> Other questions are linked with the formation of CMEA contract prices in general and for the export and import of commodities resulting from specialization and cooperation of production in particular.<sup>30)</sup>

All these problems are connected closely with the proper construction and the further development of the mechanism of socialist economic integration.

## 2. The Mechanism of Economic Integration among CMEA countries

2.1. Interdependences between the national systems of planning and management and the mechanism of economic cooperation and integration on the international level.

Characteristics and the structure of a mechanism of economic integration among a group of countries depend in any case on the prevailing socio-economic conditions and the concrete forms and methods of managing the economy within the countries of the international community concerned. This principal thesis is in

29) See: G.Kohlmeier "Socialization and Integration in Socialism" Academy Publishing House, Berlin, GDR, 1973, P.154 and Chapter 2,3

30) See: Paragraph 2.3.

conformity with the above mentioned point of view that different from economic cooperation in general economic integration is possible only among national economies of the same socio-economic type.

This principle is realized for instance in the case of already existing integrating communities like EEC on the one hand and CMEA on the other hand. In spite of holding the view that there is no alternative or exclusivity between planning the national economy or the effectiveness of market forces on economic activities it goes without saying that the international mechanism of EEC is based on the "free-market-mechanism" within the West European member countries whereas the methods of integration among CMEA countries are determined by the system of socialist planning the economy within these countries.

Experiences in both groups of countries prove that there exist too certain repercussions of the mechanism of economic integration on the international level on the process of managing the national economy both on macro-and micro-economic levels.

This aspect seems to be of special importance in a rather progressive stage of integration. Hence it follows that developing countries on their way of establishing integrating communities

have to take into consideration these interdependencies. According to the existing great differences between the regulations in planning and managing the national economy in developing countries in conformity with different stages in their historical development this problem should be analyzed with regard to finding the best solutions for elaborating the appropriate mechanism on the international level and to gradual approximating the national procedures in this field between the individual countries.

As to the process of economic integration among CMEA countries some elements of these interdependences between economic mechanisms on the international and the national levels shall be considered in detail in the following, especially under historical aspects:

1. From the very beginning the creation and the steady completion of a system of international economic cooperation on the CMEA level could be based on systems of planning and managing the national economies being uniform in principle. This applied above all to - the predominant role of the public sector in the national economy as a whole (industry, banking, transportation, foreign trade);

- a system of socialist planning with the decisive role of central planning;
- state foreign trade monopoly.

Thus it became possible already at the beginning of the fifties, to coordinate stable mutual trade relations promoting processes of complex industrialization in the member countries, using the advantages of international specialization and cooperation in production. Consistency was or is ensured between international agreements on foreign trade or on industrial cooperation and the national plans as important preconditions for a smooth functioning of economic cooperation. In the course of progressing economic integration interdependences between national planning and international cooperation in planning gain more and more importance<sup>31)</sup>.

2. Whereas there is uniformity in the economic mechanisms within the single countries in principle there exist some different conditions and regulations in special fields. These differences result in the first line from the historical development of the individual countries and from the national conditions (e.g. the size of the country), but they reflect to a certain degree also different points of view on some selected problems of managing a socialist economy.

31) See in detail paragraph 2.2 and chapter 3.



Such deviations can be considered for instance in the following fields:

- The relation between social and private ownership in agriculture;
- the relation between the degree of centralization and decentralization in planning;
- the institutional organization of foreign trade especially with regard to the kind of subordination of foreign trade enterprises and the degree of involving industrial units in export and import activities;
- the rights and powers of authority of industrial associations, for instance in the field of international specialization and cooperation of production with CMEA partner associations;
- nomenclatures for planning and statistics;
- methods of internal price formation, among other things for imported goods;
- role and use of customs and of exchange rates;
- technical standards and rules for technical tests, e.g. for imported goods.

These and some other differences influence more or less the process of economic integration and the possibilities and the

effectiveness of the international mechanism on CMEA level.

In order to avoid negative effects both in developing the international integrating community as a whole and the individual national economies and to overcome possible contradictions these problems are solved in principle as follows:

- a) International regulations as parts of the mechanism of economic integration take into consideration in any case the concrete conditions in all the member countries including the aforementioned differences. This is possible, because according to the general principle of unanimity in CMEA decisions all member countries must approve such regulations.
- b) In bilateral agreements on governmental level or in commercial contracts on scientific technical or industrial cooperation and on export - import relations the same principle is put into action. This means for instance, that the partners of such agreements or contracts can be subordinated to different central authorities.
- c) Regulations within the individual member countries for preparing and carrying out certain measures in the field of economic integration may differ in detail depending upon the system of planning and management being applied. In practice this problem

affects e.g. the kind of involving integration projects in the plan components of different branches and enterprises concerned, the internal price formation and clearing of export and import activities between industrial and foreign trade enterprises, the flow of financial relations resulting from integration measures to the state budget etc.

d) There is a tendency of gradual approximating the national regulations in planning, management, financing and statistics between the CMEA member countries. In the long run this will be an integral part of further deepening and strengthening the process of economic integration as a whole. Theoretical discussions and practical experiences show that this procedure of approximation and assimilation of national regulations is most important in the field of planning and managing the foreign trade and other elements or foreign economic relations.

3. Experiences in economic integration in general and under conditions of socialist societies in particular prove that there is not only a dependence of the international mechanism from the national systems of managing the economy but that there exist simultaneously strong and increasing repercussions from the international economic mechanism on the development of national

regulation. Hence it follows that this feedback will stimulate, too, the above mentioned process of approximating the national systems of managing the economy.

In the case of CMEA, some experiences of the GDR may be used as an illustration for this influence of international regulations on the national level:

a) The whole process of working out plans (especially 5-year-plans) in various stages is determined more and more by the requirements of international coordination of plans according to resolutions of the competent CMEA authorities (see paragraph 3.3).

b) State regulations for planning provide for detailed instructions with regard to integration measures in all spheres and branches of the national economy (research work, investments, production, foreign trade) and in addition to it led to the elaboration of a special plan component "Socialist Economic Integration" (see paragraph 3.1).

c) Following the introduction of a new international procedure of clearing transactions through the "International Bank of Economic Cooperation" in 1964 the whole system of internal settling of export and import turnover between foreign trade enterprises and the competent bank was changed (see paragraph 2.3).

d) Resulting from the international convention on establishing uniform and binding CMEA technical standards adequate national regulations in this field were set up and came into force (1974).

## 2.2 The essence and main elements of the mechanism of socialist economic integration.

The mechanism of economic integration embraces in any case certain regulations and institutions on the international level of the community concerned and a number of corresponding regulations as parts of the systems of planning and managing the national economy within the individual member countries. As we mentioned before (see paragraph 2.1), the effectiveness of this mechanism depends to a high degree on the consistency of the various elements of this system on both levels and between these two levels.

Hence it follows that in addition to continuously improving the effect of each element it is necessary to reach a high effectiveness of this mechanism as a whole, taking into account the many interdependences between its elements. Furthermore the problem to be solved is a very difficult one as conditions and tendencies of material integration processes and resulting from it and from other reasons the forms, methods and instruments of the economic mechanism develop continuously. Thus we



have to consider this mechanism in any case in its dynamic development.

Depending upon the bases, aims and principles of economic integration among CMEA countries the mechanism of this process is characterized above all by planning both on the national and the international level. Planning is not only the first one of the main elements of this mechanism but at the same time this characteristic makes clear in the best way the difference in principle as compared with the mechanism of integration among Western countries like the EEC.

In spite of the aforementioned two levels with regard to the mechanism of economic integration we shall concentrate in the following on the international level taking into consideration only some connections to the national systems of planning and management. Moreover another preliminary remark has to be done. The following Classification into main elements can be criticized as there are some intersections between these elements and different methodological aspects. But the mechanism of socialist economic integration is characterized among other things by such a complexity and comprehensiveness that this structure seems to match the purpose of this paper best.

Thus the mechanism of socialist economic integration can be divided into some main elements (or groups of elements) as follows:

1. Cooperation in planning as the main element using different forms, methods and instruments and connected closely with planning the national economies within the individual countries (see in detail chapter 3);
2. application of commodity-money-relations and the adequate market categories like prices, credits, the transferable rouble as an international currency, exchange rates etc (see in detail paragraph 2.3).
3. The use of a system of multilateral and bilateral agreements consisting of two different types:
  - 3.1 for regulating general principles of economic cooperation, e.g. on price formation in intra-trade of CMEA countries or on general conditions for concluding commercial contracts on the delivery of foreign trade commodities and
  - 3.2 for settling concrete mutual engagements in the fields of foreign trade, industrial cooperation etc.;
4. activities of the CMEA authority and its different organs (see in detail paragraph 2.4);

5. activities of further international economic, scientific and technological organizations (see in detail paragraph 2.5).

Starting from this structure of elements the role of which will be dealt with in the following paragraphs, some general aspects and problems of the mechanism of socialist economic integration as a whole will be presented now:

a) In conformity with the general development of international economic cooperation and integration among socialist countries the structure and the effectiveness of the mechanism of managing and planning this process has to be probed under the historical conditions concerned. The different stages of establishing an integrating community of CMEA countries (see paragraph 1.3) were characterized too to a certain extent by corresponding changes of the mechanism as a whole and above all by changes in regard to its single elements.

This paper is aimed at describing in the first line the mechanism of the present stage of socialist economic integration covering the period up to the end of the eighties. Theoretical discussion on the futural development of this mechanism in the next stages apply among other things to the following questions:

- How to accelerate economic growth and to raise the productivity of social labour by exploiting the natural resources from the point of view of the international integrating community as a whole? How to improve the methods of joint planning and balancing according to the general thesis that the optimum of a system as a whole (the CMEA area) is more than the sum of partial optima (the individual member countries)?
- Will there be in the future a kind of "common market" within the area of CMEA? This question implies the thesis that unlike economic integration among capitalist countries the establishment of a common market is neither the first step nor the main goal of economic integration among socialist countries.
- Will prices in trade among CMEA countries be formed in the future based in the first line on the conditions of reproduction within the member countries instead of the prices of the world capitalist market?
- How to develop further the financial and monetary relations among member countries?
- Will international joint ventures play a decisive role in

the CMEA community? Will this development be accompanied by changes from the national state ownership to a kind of joint (international) ownership?

b) Experiences of the past show that good results in economic integration depend not only on the effect of certain single forms, methods and instruments of cooperation but more and more on the effectiveness of the economic mechanism as a whole. Thus it becomes necessary to a higher degree to search the many interrelations between the different elements of this mechanism as a complex system (under horizontal and vertical aspects) in order to overcome possible contradictions and to promote optimal decisions both on the international and the national levels.

In the present stage this problem concerns above all using to a higher extent the interrelations and repercussions between activities in cooperation in planning with the effects of value factors (prices, credits, exchange rates).

c) The above mentioned mechanism as a whole and its different elements consist of multilateral and bilateral measures. Whereas bilateral activities predominated clearly in the first stages of economic cooperation among CMEA countries, multil-

aterally agreed projects gain more and more importance (see for instance the role of the joint cooperation programmes in paragraph 3.4).

I hold the view that there is no "either: or" in this respect and that there will be a combination of both aspects of cooperation also in the forthcoming stages of economic integration. But the role of multilateral activities will grow obviously.

d) A focal point in theoretical discussions and practical work is devoted to the problem of how the existing economic mechanism meets the requirement of harmonizing the joint (or international) interests of the CMEA community as a whole and the national interests of the individual member countries.

Though the political, ideological and socio-economic conditions of the community promote a consistency of these interests in principle (see paragraph 1.1) the existence of sovereign states with different conditions (e.g. as to natural resources, economic development level etc.) can lead in practice to certain contradictions in detail between the national interests of the individual member countries and/or the national and the international interests.



International cooperation among CMEA countries in the field of motor cars may illustrate this problem. According to the actual conditions in the field of motor cars in most of the East European countries in the fifties and sixties being characterized by relatively low production capacities, increasing demand, limited import possibilities and small internal markets (with the exception of the USSR) international specialization and cooperation in producing motor cars of some types meeting the requirements of the CMEA community seemed to be an important and useful task for the countries concerned. But unlike good results in combining the resources and capacities of other sectors and branches of the national economy there is up to now no successful cooperation in this group of commodities. Several countries like GDR, Poland, Czechoslovakia and Romania were trying to solve the problems more or less autonomously, partly based on licences from big western firms, and no one of these countries succeeded up to now in producing cars of a certain type in economical (or optimum) serieses. Obviously, in addition to other reasons, a kind of "prestige thinking" in this field hampered the successful solution of this task.

This negative example proves that in spite of a well functioning mechanism there is no automatism on the way to economic

integration. Moreover, it makes clear the role of political and ideological factors in this field. At the same time, the good results in economic cooperation and integration in many fields in the past thirty years (see paragraph 1.4) let us come to the conclusion that the mechanism of socialist economic integration as a whole is in conformity with the requirements of connecting national and international interests. The futural development in this respect will be influenced further in a positive way both by a growing role of the international and long-term interests of the community of states as a whole (e.g. in joint efforts to solve the problems in the fields of energy, raw materials, environment) and by an increasing approximation and equalization of the structures and levels of the national economies of the member countries and their adequate systems of planning and management.

### 2.3. Commodity-money relations among CMEA countries.

As we mentioned before, the international mechanism of economic integration among CMEA countries is based on the mechanism of socialist planned national economies within the member countries. Hence it follows that the role of commodity-money relations and its adequate categories on the international level of the integrating community is determined in the first line by the connection of planning and using market categories on the national level.

Starting from the decisive role of planning as the main characteristic of socialist economies such categories like wages, prices, credits, profits of the enterprises, exchange rates etc are important elements as parts of the national systems of planning and management. On the one hand planning includes determining the development of these aforementioned categories, e.g. in order to stimulate supply and demand both on the national market and in the field of foreign trade activities. On the other hand these categories, above all the prices, are essential criteria for elaborating plans, above all for measuring volume and structure of production, investments, export and import and, last not least, for finding  
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optimal solutions by comparing different plan variants.

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32) See: "Socialist Economic integration-its Management, Planning and Stimulation" Publishing House. Die Wirtschaft, Berlin, 1974.

In addition to all these functions commodity-money relations and their categories have some specific tasks to be solved in the framework of the mechanism of socialist economic integration, resulting from the specialities of the international market of the CMEA integrating community. Above all they have to promote the exchange of goods and services according to the principle of equivalence. Moreover they are needed as important instruments for supporting redressing the balances of payments between the member countries, valuating the effectiveness of joint integration projects on the international scale, finding the best solutions as to the relation between integration among CMEA countries and economic cooperation with third countries etc.

The mechanism of socialist economic integration comprises the following main categories of international commodity-money relations:

- CMEA contract prices for intra-area trade and for the exchange of commercial services;
- the transferable rouble as the international currency of CMEA countries;
- a multilateral clearing system of CMEA countries including granting of short-and medium-term credits in the framework of the international Bank for Economic Cooperation (IBEC).

- granting of medium-and long-term credits based on bilateral agreements or as a part of the activities of the international Investment Bank (IIB);
- International monetary relations in the field of non-commercial transactions based on the transferable rouble or on the internal currencies of the countries concerned;
- Exchange rates and some special conversion factors.

In the following we shall concentrate on some selected problems of the system of CMEA contract prices and of the transferable rouble.

1) The formation of contract prices between exporters and importers is carried out on the basis of uniform principles, multilaterally agreed by the governments of the CMEA member countries in 1958. These principles are in action till now and led to a special level and structure of prices on this international market deviating both from actual prices on the world capitalist market and from internal prices in the countries of this community. CMEA contract prices are aimed at guaranteeing mutual advantages for the partners concerned according to the principle of "equivalent exchange" and at promoting the economic cooperation and integration among the countries of this community as a whole.

Main principles and methods of price formation can be described as follows:<sup>33)</sup>

- In the present stage of economic integration prices are formed on the basis of average world market prices on the main commodity market concerned. They are eliminated from speculative and cyclical factors, resulting from the essence of the world capitalist economy.
- Price corrections take place if the existing contract prices deviate essentially from the average world market prices of the agreed basis period.
- Prices are agreed bilaterally between seller and buyer according to the principle of mutual advance. In doing so the partners can take into account the specific interest of the importer or exporter.
- Differences between the effective costs of transportation and the potential transport costs between main commodity market and buyer are to be taken into account in forming the price.

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33) See in detail: "Socialist foreign economic relations" Publishing House. Die Wirtschaft", Berlin/GDR. 1976, P.199-202



- In special cases the partners can agree to stimulating prices or seasonal prices (e.g. for certain fruits or vegetables).

CMEA contract prices, formed on the basis of the aforementioned principles, are characterized among other things by a high degree of stability. Unlike prices on the world capitalist market spontaneous, speculative and cyclical factors are eliminated. These prices are involved in the planning procedure within the CMEA countries and in the international cooperation in planning. On the one hand international agreements on the level, the structure and corrections of prices are concluded in connection with the planned development as a whole, on the other hand CMEA contract prices are important indicators for elaborating plans on the macro-and micro-economic levels.

Besides these positive effects there are some theoretical and practical problems with regard to the role of CMEA prices as important elements of the mechanism of socialist economic integration requiring further research work:

- a) There are certain discussions on the function of prices in the process of evening out the economic development level between CMEA countries aimed at introducing a system of preference prices in favour of less developed member countries. This problem will be of more importance in the future because of the

membership of former developing countries characterized by a low economic level.

I hold the view that prices according to their different functions in the national economy and in the process of economic integration are in principle not suitable instruments for this purpose. This essential task can be solved in a better way by special measures (see for instance the conclusions of CMEA sessions for supporting the economic development of Mangolia, Cuba, Vietnam)<sup>34)</sup>.

b) Another problem concerns the relation of stability and flexibility in forming and correcting CMEA prices maintaining in any case the above mentioned great advantages of stable prices as compared with fluctuating prices on the world capitalist market.

Between 1958 and 1974 unchangeable prices were formed in general for the periods of long-term trade agreements (identical with the five-year plan periods) based on the average prices of a period five years ago and in many cases prices for certain commodities remained unchanged for about ten years.

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34) See: "Documents- CMEA", state Publishing House of the GDR, Berlin, 1971, p.47. and communiques on the 87, and 88, sessions of the Executive Committee of the CMEA in Neues Deutschland, 4,10,78 or 20,1,79.

In conformity with the new tendencies of the development of world market prices, especially in the field of raw materials, since 1975 contract prices are changed annually. Thus correction of prices for 1977 was carried out on the basis of average prices on the main commodity markets 1972-1976 etc.

Each of both methods has its advantages and disadvantages. Planners prefer stable prices for at least medium-term plans favouring calculations with regard to the efficiency of foreign economic relations in general and of integration projects in particular. But resulting from close interrelations between intra-area trade and foreign trade with third countries great differences between stable CMEA contract prices and changeable actual world market prices might cause negative effects on decisions as to the regional commodity structure of export and import from the point of view of the integrating community as a whole. Thus finding an optimal connection between these two tendencies requires to consider both aspects.

c) A third problem stems from the fact that the present system of price formation among CMEA countries is a transitional one seen from the historical point of view. The question is whe-

ther the conditions on the world capitalist market or the conditions of production and consumption within the CMEA countries play the decisive role for intra-area contract prices.

As we have seen before, up to now capitalist world market prices are still the main basis for price formation in foreign trade between CMEA countries. But the conditions of producers and exporters of the CMEA countries play a certain and steadily increasing role, too. In some cases, for instance in price formation for parts and subassemblies in the course of specialization and cooperation of production in the field of machine building industry, costs of production within the CMEA countries concerned are already the decisive factors.

Theoretical discussions on the problem of establishing an "own price basis of CMEA" for the bulk of export and import goods led to the conclusion that at the time being the internal and external conditions would not favour such a decision. The further development in this field will be influenced above all by the share of CMEA countries in the international trade as a whole and by the level of expenditure for producing export goods as compared with the most advanced countries.

2) The transferable rouble is a collective international currency of a completely new type introduced 1964 in connection with the beginning of the multilateral clearing system in foreign trade between CMEA countries and the foundation of the International Bank for Economic Cooperation (IBEC). As all payments in the field of economic and scientific technical cooperation among CMEA countries are carried out on the basis of the transferable rouble, the application of this currency is an important element within the mechanism of socialist economic integration.

The transferable rouble differs from the Soviet rouble and from the other national currencies. It is omitted by the IBEC, the gold content is fixed by multilateral agreements, its purchasing power is determined by the level of CMEA contract prices and it can be used only for international transactions on the CMEA market. - It appears only as deposit currency and not in the form of cash .

The main functions of the transferable rouble are as follows:

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35) See: Grabig/Brendel/Dubrowski "Commodity-Money-Relations in Socialist Economic Integration" Publishing House Die Wirtschaft, Berlin, 1975, P. 111.

- A means for measuring the values of economic relations between CMEA member countries, above all for measuring the prices of intra-area trade;
- a payment media in the clearing of foreign trade transactions or other economic activities including granting short-medium-and long-term credits through the IBEC or the International Investment Bank (IIB);
- a means for accumulation, for instance in connection with creating funds of the IBEC and the IIB and in the course of getting standing credits of the member countries.

Starting from the positive experiences gained so far in using this international currency, discussions in theory and practice are concentrated above all on the following problems;

- a) Unlike the aforementioned first two functions the role of the transferable rouble as a means for accumulation, above all in connection with using special funds for granting long-term credits, did not meet till now satisfactorily the requirements of economic cooperation. Obviously, the flow of these financial funds hitherto is not connected sufficiently with planning the material processes of reproduction in the countries concerned, above all with regard to production capacities, export funds etc.



- b) The possibilities of using the transferable rouble are confined to a certain degree by some unsolved problems concerning the convertibility into the national currencies of member countries and the necessary adaptations of the gold content and the exchange rate as compared with the currencies of the world capitalist economy. Adequate tasks for research work are laid down in the conclusion of the 25 session of CMEA on the aggregate programme of socialist economic integration.<sup>36)</sup>
- c) Whereas till now the transferable rouble is used only in transactions among CMEA countries, possible applications in economic relations with third countries, above all with non-member socialist countries and with developing countries, are to be probed,<sup>37)</sup> . This problem is connected closely with the above mentioned questions related to the convertibility and to the links between planning the material processes and using financial categories.

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36) See: Documents - CMEA, OP,Cit, P. 13 f.

37) Ibid, p. 59.

## 2.4 Organs of the CMEA as part of the mechanism of socialist economic integration.

Organizational forms and institutions play an important role within the mechanism of economic integration in any case. As to the integrating community of socialist countries the CMEA holds a central position in this respect.

The CMEA is an inter-state organization of socialist countries for coordinating their multilateral economic cooperation as a whole and for elaborating jointly the fundamental aims and directions of this cooperation<sup>38)</sup>.

The activities of the CMEA and its organs in realizing economic integration among this group of countries are aimed above all at;

- elaborating economic and legal questions, principles of organization and concrete recommendations for the further development of a comprehensive cooperation between the member countries;
- Supporting the countries concerned in the processes of coordination of their national economic plans and of specialization and cooperation of production;

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38) See: Statute of CMEA in "Documents..." Op.Cit, P.146.

- Carrying out economic research works and mutual consultations in regard to the perspective main ways of economic policy and elaborating prognoses in important fields of the economic development;
- submitting recommendations on the further development of the economic and scientific-technical cooperation of the member countries;
- Organizing the exchange of experiences on management and planning the national economy<sup>39)</sup>.

General principles of work in CMEA were dealt with in paragraph 1.2. and the organizational structure is shown in appendix 1. Thus we can concentrate now on the functions of some selected organs of the CMEA in promoting the economic integration among the member countries.

1) Sessions of CMEA are the highest organs of the council.

They take place at least once a year and the delegations are led by the heads of the countries' governments. Problems of greatest importance for the integrating community as a whole have to be submitted to the sessions, e.g. changes in the statute, admission of new members, relations to other international organizations etc.

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39) See: Documents..., Op, Cit, p. 125.

The role of these sessions in the last years can be studied above all by the adoption of the "Aggregate programme for the further deepening and perfection of cooperation and development of socialist economic integration between the member countries of the CMEA" at the 25 th session in 1971 (see paragraph 1.3) and by the conclusion on the joint elaboration of long-term "cooperation programmes" at the 30th session in 1976 (see paragraph 3.4).

2) The Executive Committee is the main organ of the CMEA for coordinating and controlling the process of economic integration as a whole and for taking necessary decisions between the sessions. Members of the committee are deputy prime ministers of all countries of the community. Meetings take place at least once a quarter.

The committee elaborates main directions and measures on economic and scientific-technical cooperation, it guides the standing commissions, the special committees and the secretariat of CMEA. It controls the realization of conclusions adopted by the sessions of CMEA.

3) The tasks of the Committee for Cooperation in the field of Planning result from the outstanding role of planning as the main characteristic of the mechanism of socialist economic integration (see paragraph 2.1 and 2.2 and chapter 3) and the heads of the State Planning Commissions are the members of this Committee

In addition to coordinating and controlling the comprehensive and iterative process of cooperation in planning in its different forms the committee is responsible for elaborating proposals for solving the main problems of the economic development of the CMEA community as a whole. New tasks arise in connection with the elaboration of long-term "cooperation programmes" (see paragraph 3.4.).

4. Standing Commissions are formed above all in conformity with the structure of branches of the national economies (see appendix 1). Main goals of these standing commissions are aimed at promoting the multilateral and bilateral economic and scientific technical cooperation among the member countries within the branches concerned. Based on investigations concerning the development of demands within the integrating community and on external markets, production capacities, natural resources, tendencies of the scientific - technical progress etc the commissions submit concrete proposals for further specialization and cooperation of production, the extension of mutual trade, international cooperation in research work and investments etc. In addition to such measures in the material reproduction process in the field of production, export and imports these commissions are engaged too in elaborating

proposals concerning methodological problems like the unification of technical standards and of the nomenclature in planning and statistics, new methods for evaluating the efficiency of investments, joint regulations for concluding commercial contracts between the responsible enterprises of the member countries etc.

Practical experiences of economic cooperation within different branches in the framework of CMEA in the past prove that good results, especially in the field of industrial cooperation in mechanical and electrical engineering, were achieved by including a lot of specialists and experts of the ministries, associations and big enterprises in temporary working groups and by connecting these activities closely with the continuous process of international cooperation in the field of planning (see chapter 2).

Results and proposals of these working groups are submitted to the sessions of the standing commissions, the member countries' delegations of which are headed by the ministers of the branches concerned. Based on recommendations of these sessions and in conformity with the national regulations commercial agreements on deepening the economic and scientific-technical cooperation are concluded between the



responsible enterprises of the interested member countries. In cases of special importance the recommendations concerned have to be submitted to the executive committee of CMEA.

## 2.5 Joint economic organizations as a means for promoting the process of economic integration.

In addition to the CMEA itself as the pivot among the joint organizations of this integrating group of countries further international economic, scientific and technological organizations were founded with the help or on the initiative of the CMEA. Appendix 2 gives a view on the structure of these organizations at the time being. As to their character or legal status, these organizations can be subdivided in inter-state and international economic organizations.

Inter-State Economic Organizations are founded on the basis of inter-state agreements and are subjects of the international law. It is their main function to coordinate cooperation of the countries in particular spheres of economy, science and technology, in individual branches and industrial groups, but also in case of particular products.

As we can learn from appendix 2, this type of joint organizations embraces quite different institutions like

- international banks.
- centres for solving jointly problems of mutual interest in such fields like scientific and technological information, a united power system, transportation communication etc and
- organizations for coordinating the cooperation in individual groups of commodities.

Depending upon the special tasks, the membership changes considerably between the different organizations. Most of them exist since a lot of years being founded during the second or third stage of economic cooperation among CMEA countries (see paragraph 1.3.) and in conformity with the general conditions and targets of these periods.

Since the beginning of the seventies a new type of joint organizations gained special attention. International Economic Organizations have the task to coordinate cooperation and to carry out joint activities in the field of research, engineering design, production, services and in foreign trade. Taking into account the concrete subject of the work to be done and the agreements concluded between the member countries, the organizations can have the form of international economic associations, institutes, centres of joint

associations, trading centres or offices for design and engineering. What was the main reason for establishing this new type of joint economic organizations?

In spite of the progresses in using the advantages of international division of labour among CMEA countries (see paragraph 1.4) the speed and the dimensions of specialization and cooperation of production leading to structural changes in the national economies concerned did not meet sufficiently the requirements. Critical assessments were related above all to problems as regards achieving optimum serieses and a high efficiency of production in selected industrial branches influencing the scientific-technical progress in the national economy as a whole. In some cases the mechanism of solving these problems in the framework of the above mentioned standing commissions or inter-state economic organizations seemed to be too bureaucratic and required too much time in the procedure of decision making both on the international and the national level.

Some of the most important characteristics of these international economic organizations are a close and immediate cooperation between the responsible associations in the respective countries in the field of research and production and

the sale of products and the introduction of joint planning these activities from the international point of view of the partners involved rather than of coordinating the national plans. On the one hand there are close interrelations between these two methods of cooperation in planning, on the other hand they have to be distinguished with regard to the effect on optimization and balancing on the international as well as on the national level (see in detail paragraph 3.2).

As to the further development of international economic organizations, some problems are still under discussion among economists of CMEA countries, concentrated on the following questions:

- a- Will these organizations in general play a main role in the course of socialist economic integration in the long run? Which will be the consequences in principle on the relation between the national systems of planning and management and the international mechanism of economic integration?
- b- How to determine the long-term development of joint ventures in the field of production? Up to now there are only a few examples, for instance the joint mill between the USSR and Mongolia for processing copper and molybdenum

in Mongolia and the joint plant between the GDR and Poland for producing cotton yarn being located in Poland. If this form of joint ventures will reach greater dimensions, new questions have to be answered with regard to the type of socialist ownership. Will there be e.g. a change from national state to international ownership with certain consequences as to the type of production relations?

- c- Whereas inter-state organizations were financed in principle by the budgets of participating countries, the new international economic organizations tend to a system of self financing and economic accountancy. Resulting from existing differences in adequate regulations of CMEA member countries (see appendix 2.1.) and problems with regard to convertibility between the national currencies of the countries involved and between the transferable rouble and national currencies some new questions have to be answered.

2.6. The mechanism of economic cooperation with non-member countries with special reference to developing countries.

The mechanism of economic cooperation of the CMEA and its member countries with third countries is aimed

at realizing some aims and principles, laid down in the statute of CMEA, in the aforementioned aggregate programme for socialist economic integration adopted at the XXV. Session of the Council and in some other documents, the most important of which can be formulated as follows:

- a- Economic cooperation and integration among CMEA countries means no discrimination against non-member countries as compared with EEC.
- b- Economic integration within this community of socialist states and striving for collective self reliance in some important fields is not aimed at achieving anarchy neither for individual member countries nor for the integrating community as a whole.
- c- Socialist economic integration among CMEA countries has to be connected closely with economic cooperation on a world-wide scale in general and with developing countries in particular.

The following figures of the development of the regional structure of foreign trade of the CMEA member countries as a whole demonstrate to a certain degree, how these aims and principles were realised in the past.



Table 3: Regional structure of the foreign trade of the CMEA Countries to various groups of countries (percentages).

	1960	1970	1975
Intra-trade of CMEA countries	60,0	60,7 x)	56,4 x)
Other socialist countries	12,0	6,4	4,0
Developing Countries	7,6	9,1	9,6
Developed capitalist Countries	20,4	23,8	30,0

Source: Statistical yearbooks of CMEA.

x) The decline of the share of other socialist countries was caused by the new tendencies in China's foreign trade policy since the early sixties.

In the following we shall concentrate on some aspects of the mechanism of economic cooperation with selected countries, institutions or groups of countries.

1. Though Yugoslavia is not a member country of CMEA, there exist very close and stable links between the national economy of this country and the national economies of most of the CMEA member countries in the field of scientific-technical and industrial cooperation, joint investments and

foreign trade. As to the economic relations between GDR and Yugoslavia, at present about 45% of the mutual trade is based on long-term agreements on governmental and branch level on specialization and cooperation in basic industry, mechanical and electrical engineering and light industry.

According to an agreement concluded in 1964 delegates of Yugoslavia participate always in sessions of the council, of the executive committee and of standing commissions. At the same time the country is a member of many international inter-state organizations of CMEA (see appendix 2).

2. Other socialist countries are invited to take part as observers at sessions of the council <sup>40)</sup> or other organs of the CMEA and in several cases special agreements on multilateral and bilateral level were concluded for supporting the economic development, for instance with the Korean People's Democratic Republic and with the Socialist Republic of Vietnam aimed at overcoming the destructions of the respective wars.

Cooperation with this group of countries is characterized among other things by the fact that some of them (like

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40) Present as observers at the 32. session of the CMEA 1978 were delegations from Vietnam, North-Korea, Laos, Angola, Ethiopia.



Mongolia, Cuba, Vietnam) become members of the CMEA followed by a much higher level of economic cooperation.

3. Cooperation between the CMEA and Finland in line with the agreement concluded in 1973 is the first example for a special kind of multilateral economic cooperation with a country characterized by a capitalist economic system.

Based on the above mentioned agreement and on a system of bilateral agreements long-term and stable economic relations between CMEA member countries and Finland were realized in several branches like machine building and chemical industry, wood pulp and paper industries, transport and traffic, resulting in dynamic foreign trade relations. The cooperation included also activities in statistics and standardization.

4. Based on paragraph X and XI of its statute the CMEA operates with other international organizations of institutions<sup>41)</sup>. Besides deep and manifold relations with joint

economic organizations of socialist countries (see paragraph 2.5 and appendix 2) this cooperation refers above all to official contacts with the UNO and several of its organs like the Economic Commission for Europe (ECE), the United Nations Conference for Trade and development (UNCTAD), The United Nations Organizations for Industrial Development

41) See: Documents CMEA ... Op cit, P. 155.

(UNIDO) and for Education, Science and Culture (UNESCO) and other ones. Close contacts exist too with the Economic Commissions for Africa (ECA) and Asia (ECAFE) and the Organization for Food and Agriculture (FAO).

A special and difficult problem in this connection are the relations between the institutions of the two existing integrating communities EEC and CMEA. In spite of the great and further growing role of economic relations between the member countries of these two blocs and the necessity of solving such major problems for Europe as a whole like transportation, a united power system, environment pollution etc. there exist up to now no official contacts between the central institutions of EEC and CMEA. In 1976 a first draft for an agreement on cooperation between the central organs and the member countries of these blocs was elaborated by the competent authorities of the CMEA and submitted to the adequate authorities of the EEC, but till now no agreement was concluded<sup>42)</sup>.

5. Cooperation with developing countries ranks highly in the economic policy of the CMEA and its member countries and the mechanism of socialist economic integration both on the international level and on the national level of the individual

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42) See: W.J. Kuznezew "legal questions of a cooperation between CMEA and EEC" Soviet state and law, 4/1978, Moscow,

member countries is characterized among other things by certain regulations and stipulations aimed at deepening and strengthening economic relations with developing countries. The main idea is to connect economic integration among CMEA countries closely with cooperation in different forms with developing countries. A comprehensive view on major goals, forms and methods of this cooperation is given in the joint statement by socialist countries at the fourth session of the UNCTAD.<sup>43)</sup>

In the following we shall give emphasis on some new tendencies and problems in this field:

- a- By strengthening the economic and scientific-technical power of its member countries, economic integration in the framework of CMEA will enhance on the one hand the possibilities for exporting complete plants and equipments for supporting industrialization in developing countries and on the other hand the absorptive capacity of their own markets for the import of goods from developing countries. A variety of measures as part of the economic mechanisms of the CMEA countries and of the integrating community as a whole will promote a higher

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43) See: Papers of the fourth session of the UNCTAD, Nairobi, 5 May 1976.

level of division of labour with interested countries of the Third World.

- b- Bilateral long-term trade agreements continue to be important means for organizing economic cooperation between CMEA-countries and developing countries. By fixing the volume and commodity of export and import in conformity with the national economic plans of the partner countries concerned a high stability can be guaranteed and to a certain extent specialization of production through foreign trade will be achieved.

According to the above mentioned statement such agreements could be concluded for a term embracing 2-3 five year planning periods.

- c- Another type of long-term bilateral agreements is aimed at supporting developing countries in realizing selected main projects of their economic development plans in the fields of industrialization and infra-structure, in particular, aimed at the formation of territorial production complexes. This includes measures promoting the scientific-technical progress and the improvement of the education system.

- d- Where it is feasible and desirable, multilateral agreements on comprehensive economic cooperation can be concluded

between the CMEA and interested individual developing countries, as well as their organizations. First examples are such agreements with Mexico and Iraq.

- e- In some cases multilateral industrial cooperation is organized with the participation of socialist, developing and developed capitalist countries, paying attention to the specific problems of the participating developing countries.
- f- A special fund was set up at the International Investment Bank for granting credits to developing countries in connexion with the provision of economic and technical assistance. Another multilateral fund was set up for financing education and post graduate studies of students from developing countries in CMEA countries.
- g- Based on governmental agreements joint economic committees were established between the individual CMEA countries and interested developing countries. In addition to the task of coordinating the economic cooperation between the respective partners in a comprehensive manner these committees are to organize, too, the exchange of experiences by specialists of CMEA countries in promoting the planning system in developing countries.

h- There exist proposals aimed at extending the practice of multilateral accounting on the basis of the transferable rouble.

### (3) Cooperation in Planning - The Main Method of Socialist Economic Integration.

#### 3.1 Principles, aims and main characteristics of cooperation in planning.

As we mentioned already, cooperation in the field of planning is the main element of the mechanism of economic integration among socialist countries<sup>44)</sup>. It characterizes to a high extent this special type of economic integration differing fundamentally from a kind of "market integration"<sup>45)</sup> as in the case of EEC.

As stated in the "Basic Principles of the International Socialist Division of Labour" "cooperation in planning is intended to accomplish the following mutually connected objectives:

- "Thorough consideration of the objectively necessary proportions of each country and the world socialist system as a whole in order to achieve a balanced economy in each country"

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44) See in detail paragraph 2.2.

45) See: B. Balassa "Types of Economic Integration" paper submitted to the fourth World Congress of the I.E.A., Budapest, 1974.



- a highly efficient international division of labour resulting in a rapid growth of production and the fuller satisfaction of the requirements of the population in each country with a minimum expenditure of social labour;
- a combination of international specialization of production and the complex all-round development of the economy of individual members in the interests of the fuller and more efficient use in all countries of their natural and economic pre-requisites for production including labour resources;
- the gradual closing of the gap between the economic development level of all the countries, first and foremost through the industrialization of those with a comparatively low level of economic development, on the basis of the maximum utilization of the internal resources of each, plus the advantages of the world socialist system"<sup>46)</sup>

Though these aims were formulated in an early stage of economic cooperation among CMEA countries, they give an orientation in principle for a longer period. In the following some selected problems concerning the characteristics and the

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46) Documents CMEA - 1962.

effectiveness of cooperation in planning as the main instrument of socialist economic integration as a whole are to be viewed:

1. As international cooperation in planning is part of socialist planning in general and as the term "planning" is used also in connection with economic integration among Western countries we should make clear at first our view on this category and on the difference in this respect between the mechanisms of the two existing integration blocs. Taking into consideration the close interrelations between national planning and international cooperation in this field as well as the fact that national economic planning is the basis in any case for for adequate activities in the international level (see paragraph 2.1) we shall compare at first the characteristics of national economic planning.

The framework of planning in CMEA countries can be characterized by the following principles<sup>47)</sup> :

- a- Economic planning is comprehensive. It covers the national economy as a whole and includes links to other parts of the society like education, culture etc.

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47) See: "National Economic Planning" Publishing House Die Wirtschaft, GDR, Berlin, 1975.

- b- There is a close connection between central planning and decentralised planning whereas priority is given to central planning. Consistency is ensured between the various levels (macro- and micro level) and between sectorial and regional planning with regard to the plan targets and the means for reaching them.
- c- After being approved plans have binding force as the decisive basis for economic activities.
- d- The framework of planning includes the market categories with close interrelations between planning and taking advantage of the market mechanism.
- e- The elaboration of long-, medium- and short- term plans takes place within a hierarchic system of institutions, so-called- "balancing organs" being the core of this system.
- f- Planning of the national economy is connected to a high extent with international co-ordination of plans between CMEA member countries and to a certain degree with other socialist countries.

Unlike that, in EEC member countries there exists no uniform allround framework of comprehensive planning,

covering the national economy as a whole, though some countries established central planning agencies (e.g. France, the Netherlands, U.K.) and introduced a kind of "planification". According to the different views on the role of planning, in free-market economies methods and institutional regulations differ from country to country<sup>48)</sup>. Some general characteristics can be described as follows:

- a- Central "plans" are more or less forecasting scenarios or models describing the probable futural behaviour of some main indices of the national economy as a whole or of some selected branches. They are of informative character and have no binding force.
- b- There is no coordination and no consistency between the central plan and the plans of branch associations or great corporations, planning activities of the latter often being carried out in a comprehensive way, using sophisticated methods and tools<sup>49)</sup>.
- c- State interventions in the market on the basis of this kind of planning are confined in general to indirect'

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48) See: Jan Tinbergen. "Central Planning" New Haven and London Yale University Press, 1964.

49) That is why J.K. Galbraith in several of his publications divides the U.S. economy into a "planned sector" comprising the great corporations and the rest of the national economy being ruled by the market forces. As to the planned sector I do not agree with him because of the above mentioned reasons.

methods, aimed at influencing economic activities, especially by measures in the field of monetary policy, by taxes or the budget policy.

Resulting from these differences with regard to national economic planning within the member countries concerned, the role of planning in principle and the actual possibilities of international cooperation in planning in the framework of CMEA and EEC must differ completely.

2. Starting from the statement on close links between national economic planning and cooperation in planning on the international level of CMEA and acknowledging the effectiveness of socialist planning in principle on all levels (i.e. including the international one) we have to take into consideration at the same time some essential specialities distinguishing planning activities on the international level from those ones within the individual member countries of the integration community. These specialities are caused above all by:

- The existence of sovereign states enjoying the same rights as members of the CMEA community;
- state ownership of the most important means of production (there exists no international ownership);

- the lack of any supranational authority being able to take decisions as regards the economic development of this group of countries against the consent of the government of a member country.

Whereas different views on setting plan targets or distributing restricted financial and material funds or labour forces between the respective branches or enterprises within the national economy of a single country can be settled by decisions of the centre (e.g. by the State Planning Commission as the competent organ of the Council of Ministers) such a procedure is not applicable as regards cooperation in planning between the CMEA countries and from the point of view of the integrating community as a whole. Hence it follows that balancing and optimization as main methods of socialist planning have to be applied on the international level in a special way.

In the following paragraphs we shall try to answer this question in detail taking into account the various forms or elements as part of a comprehensive system of cooperation in planning. But independent from the special form some general principles are of fundamental importance in the way of solving this problem.

- a- In the course of the historical development of economic cooperation and integration depending upon the changing internal and external conditions the system of cooperation in planning is being completed and improved steadily (see in detail paragraph 3.2). This implies among other things using the growing possibilities of balancing and optimizing from the point of view of the integrating community as a whole in conformity with the interests of the individual member countries.
- b- The main principle being effective in this procedure is at the time being coordinating the national plans in various stages of balancing the economic development within the countries concerned, taking into account to a certain extent the production capacities, the natural resources and the requirements and tendencies of the markets of the other countries of this integrating community.
- c- Parallel to the procedure of elaborating and coordinating long-medium - and short - term plans on several levels and in various branches of the national economies, calculations are carried out on the international level by competent organs of CMEA or by temporary teams consisting of experts from interested member countries taking into account the economic

developement of this community as a whole or of certain branches like energy, metallurgy etc. In an iterative process of several stages and according to the theoretical idea of a "two-level - planning"<sup>50)</sup> contradictions between the two levels and between the drafts of the national plans will be solved step by step. Different from the adequate planning procedure within the countries concerned there exists no centre with the power of authority for decisions in the case of diverging views between the partners involved. Hence it follows that existing differences can only be overcome in the way of negotiations and of certain adaptations from both sides leading to a kind of "sub-optimum solutions".

- d- Results coming out of the procedure of cooperation of planning and embracing above all the mutual obligations of the partners involved are fixed in a comprehensive system of international agreements concluded between the governments or competent organs like the State Planning Commissions, Ministries or branch associations (see in detail paragraph 3.3. and 3.4) The concrete type of the agreement will depend

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50) Kornai Liptak "Two-Level-Planning", Computing Centre of the Hungarian Academy of Sciences, Budapest, 1963.



upon the subject concerned and on the specific form of cooperation in planning. In some cases joint plans will be elaborated within the framework of international economic cooperations being the basis of their economic activities.

- e- The realization of the manifold results of cooperation in planning in its different forms (see paragraph 3.2) is carried through on the one hand by the aforementioned international agreements and on the other hand by the adequate tasks as part of the national economic plans having binding force for the branches and enterprises involved in certain integration projects.

Hence it follows that the competent authorities of the member countries are responsible for ensuring full consistency between the results of international cooperation in planning and the national plans on the one side and between the plans of the various branches or enterprises and their respective obligations from international agreements resulting from cooperation in planning on the other side.

- f- As we mentioned before, the results of the manifold activities in cooperation in planning are fixed in different

international agreements, contracts, joint plan documents etc. A problem, still under discussion among economists and, above all, lawyers of CMEA countries is how to determine the legal effectiveness of all these agreements or documents and how to carry through the realization of adequate obligations including the application of liquidated damages in the case of not fulfilling the respective obligations<sup>51)</sup>.

Notwithstanding some specific problems and regulations depending upon the respective form of cooperation in planning (see paragraph 3.2, 3.3 and 3.4) the following principles are<sup>52)</sup> being applied in this field in general:

- Each state decides autonomously, which plan targets are taken to be subject of joint decisions in the process of cooperation in planning and which informations will be given to this purpose;
- the states concerned only decide commonly, which of the decisions or information will be binding legally;

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51) See: "Cooperation of CMEA- countries in planning- legal questions", State Publishing House of the GDR, Berlin, 1977.

52) Ibid, Page 31/32.

- the states determine jointly the contents of the respective obligation. By this they determine inter alia whether and under which conditions it is possible to change the jointly agreed plan targets or if a change of adequate plan targets means a break of obligations relating to international law;
- the state that changes jointly agreed binding plan targets unilaterally, without taking into account the adequate conditions, is responsible according to international law.

### 3.2 The framework and the main elements of cooperation in planning.

In conformity with national economic planning within the individual CMEA countries the methods and forms as well as the institutional regulations of cooperation in planning are developed further and if necessary, changed according to the changing internal and external conditions and tendencies.

Whereas in the first stage of economic cooperation among CMEA countries there existed only a certain international coordination of the planned development of some selected branches (e.g. for various metallurgical goods and some commodities of the machine building industry), since the middle of the fifties

the five-year national economic plans were coordinated<sup>52)</sup>.

At the time being, cooperation in planning is a comprehensive system consisting of the following main forms;<sup>53)</sup>

- a- Mutual consultations on basic problems of economic policy.
- b- elaboration of prognoses in the important fields of economy, science and technology.
- c- coordination of plans for a long-term perspective period for important national economic branches and types of production;
- d- coordination of five-year national economic plans;
- e- joint planning of various industrial branches and types of production by interested countries;
- f- elaboration of mutually agreed plans of multilateral integration projects for five-year periods;
- g- working out of special joint cooperation programmes in the vital sectors of material production for 10 to 15-year<sup>54)</sup> periods;

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52) See paragraph 1.3 and 3.3 and Foddejew, "The CMEA", op. cit, chapter 6.

53) Documents CMEA, op. cit. p. 25 and 28.

54) Communiqué on the 30th session of the CMEA, 1976, in: Economic cooperation among CMEA countries 4/1976, Moscow p.104.

h- exchange of experiences of member countries of CMEA through improvement in the systems of planning and management of the national economy.

Whereas two selected elements of this system of cooperation in planning are to be investigated in detail in the following paragraphs we shall give emphasis now on the main characteristics of the system as a whole and of the methods being applied, on the manifold interrelations between the various elements and on some problems influencing the effectiveness of this procedure or its further development:

1. The variety of the single elements of cooperation in planning reflects above all the concrete conditions and necessities in the process of organizing the international division of labour among CMEA countries with regard to:
  - the role of certain branches or groups of commodities for the integrating community as a whole;
  - specific requirements of selected integration measures being of great importance for all member countries;
  - the time horizon of planned activities;
  - the degree of internationalization in different economic complexes.

At the same time these elements reflect to a certain degree the historical development of international cooperation in planning from lower to higher stages.

2. An effective and well functioning cooperation in planning requires on the one hand a close connection with the national systems of planning and management within the individual member countries (see paragraph 2.1). On the other hand there exist manifold interrelations between the various elements of the system of planning on the international level which have to be considered and used as a necessary prerequisite for achieving good results. This includes the temporal aspect of continuous planning as well as the proper links between various planned subjects from the point of view of balancing and optimization.

As to the first aspect, e.g. the outcome of joint prognoses and of other planning activities for long-term periods are essential inputs for the coordination of five-year national economic plans or for the elaboration of some joint medium-term plans.

As regards the second problem, which is linked too with the first aspect, existing agreements resulting

from the elaboration of joint cooperation programmes or from joint planning activities with regard to various industrial branches, e.g. in the framework of international economic organizations, have to be taken into account in the procedure of plan coordination. And at the same time repercussions from the comprehensive agreements based on the international five-year plan coordination must be considered in planning activities concerning certain selected projects.

3. Analyzing the above mentioned elements of the system of cooperation in planning, we can distinguish between planning activities according to the two types:

- plan coordination and  
55)
- joint planning

The first type is characterized by coordinating plans or plan draft or concepts based on national calculations, balances etc (see in detail paragraph 3.3).

Joint planning as a part or a special aspect of cooperation in planning embraces those elements where plan

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55) There are different opinions on this subject among economists of socialist countries. In some publications the term "common (or joint) planning activities" is used as a synonym for "cooperation in planning"  
See: "Cooperation of CMEA countries in planning-legal questions" op. t.p. 50/51.

calculations (balancing and optimization) are carried out already from the point of view of the integrating community as a whole or of some interested countries. In this case the international aspect in the procedure of planning and the possibility of achieving optimum decisions is obviously higher than in the coordination of national plans and this type represents a higher quality of cooperation in planning. But there exists no absolute difference as to these two types and the boundaries between them are fluent.

Unlike the opinion of some economists there is no alternative between these two types, and the latest development in this field cannot be characterized as "planning together instead of coordination of plans"<sup>56)</sup>. I hold the view that both types of cooperation in planning have their advantages and disadvantages and that both of them will continue to be applied also in the future.

4. As we mentioned before, cooperation in planning is a dynamic system, forms and methods of which being changed according to the respective internal and external

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56) See: Y. Sadek "Analysis of Economic Integration under the Comecon" paper submitted to the Regional Seminar of UNIDO and INP 16-21.12.1978. Cairo.



conditions and according to new ideas and experiences in theory and practice of socialist planning and of economic integration among socialist countries. Apart from the already mentioned questions (see paragraph 3.1.) and some specific problems related to special forms of cooperation in planning (see paragraph 3.3 and 3.4) there are some problems under discussion among economists of CMEA countries which are of general importance for the further development of planning activities on the international level as a whole:

- a- Apart from the special methods being applied there is always the problem how to find optimal solutions from the point of view of the integrating community as a whole as well as of the individual member countries. Whereas balancing and optimization as main methods of socialist planning are used with good results on the national level of the countries concerned, progress in this field is unsufficient up to now on the international level. the main reason for this deficiency is a certain lack of the needed data for the integrating area as a whole, e.g. as regards:

- the development of available deposits of raw materials;

- level and development of production and research capacities;
- the development of demand in certain commodities;
- costs of production,
- tendencies of export and import including foreign trade with third countries.

In addition to the availability of these and other data at all there is the question how to make internal costs and prices of the same commodities or of productive funds fit to be compared between the member countries.

- b- Another problem to be solved is to achieve an optimal relation between stability and flexibility in socialist planning in general and in the field of international cooperation in planning in particular.

On the one hand stability of the social and economic development is one of the advantages of socialist societies as compared with capitalist countries and it is unequivocally the determining aspect in the above mentioned relation. As to international cooperation in planning among CMEA countries such measures like the conclusion of long-term agreements on cooperation in science,

technology, investments and production and the respective foreign trade agreements, based on long-term joint planning activities, support this stable development.

On the other hand we have to take into account the stochastic character of all the factors influencing economic processes in general and the fact that the degree of uncertainty in international economic relations is higher than within the national economy. This is caused among other things by consequences from economic relations with the world capitalist market. Hence it follows that the procedure of cooperation in planning must be flexible enough in order to match these conditions.

Practical experiences and theoretical discussions on this subject lead to the following conclusions:

- selected key subjects of economic cooperation (e.g. mutual deliveries of important raw materials or equipments for power plants) are part of long-term agreements on governmental level and of commercial contracts between the respective enterprises as well, including the application of penalties in the case of nonfulfilment of the mutual obligations concerned;
- within the system of long-medium and short-term agreements

resulting from respective common planning activities the procedure of necessary changes or corrections as regards the mutual obligations has to be agreed upon, considering the different conditions as to the time horizon and as to groups of commodities;

- prices in long - or medium-term agreements can be arranged in such a way that fixed prices are settled only for the first period, whereas the procedure for price formation<sup>56)</sup> in the following periods is part of these agreements .

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56) See in detail: Grabig/Brendel/ Dubrowsky." Commodity-money-relations in socialist economic integration" Publishing-House Die Wirtschaft, Berlin 1975, page 92.

### 3.3 Coordination of the five-year national economic plans

As one of the elements of the system of cooperation in planning as a whole the coordination of the five-year national economic plans plays at the time being a central role within this system. This is to a certain extent due to the historical development, as CMEA countries gained practical experiences in this field since more than 20 years. But I hold the view that because of the following reasons the coordination of medium-term plans will continue to be of such specific importance during the next period of economic integration among this group of countries:

1. The decisive role of 5-year plans within the national systems of planning (all member countries use the same plan periods) promotes and requires the same importance on the international level of cooperation in planning.
2. The procedure of coordinating national plans (i.e. starting from the conditions and aims of the individual member countries) is in full conformity with the political conditions at the time being, that means the existence of sovereign states as partners enjoying the same rights in the integrating community.

3. Unlike the other aforementioned elements of cooperation in planning, characterized inter alia by a concentration on some selected projects, the internationally relevant development of the individual national economics is involved in this case in their complexity and with a high degree of internal and external balancing.
4. Coordination of the five-year plans is closely connected with all the other international planning activities.
5. This kind of plan coordination results in various international agreements and economic contracts, being the basis for stable and comprehensive mutual economic and scientific-technical relations.

What are the main subjects of coordinating the five-year national economic plans?

At the end of the fifties and the beginning of the sixties this kind of plan coordination was largely a matter of dovetailing, on a reciprocal basis, deliveries of specified foreign trade commodities as regards volume and assortment of mutual trade. In recent years, the focal point of these planning activities shifted to the production sphere .

57) See: N. Bautina "CMEA today: From economic cooperation to economic integration" Progress publishers, Moscow, 1975. p. 92

That means, that now projects of investments cooperation, scientific-technical cooperation and specialization and cooperation of production are principal objects of plan coordination. Thus structural changes of the national economies concerned are the bases and at the same time certain results of this kind of cooperation in planning, leading to mutual adaptations and complements of the economies and the gradual establishment of "international economic complexes"

This development is characterized too by changes as to the function of intra-area trade, above all in the field of machinery. Mutual exports and imports of internationally specialized and cooperated products are more and more the planned results of a stable cooperation in production and an integral part of a new quality of foreign economic relations.<sup>58)</sup>

The procedure of coordinating five-year national economic plans is an iterative process passing through several stages in conformity with the elaboration of the national plans. Whereas in the past it was a coordination of more or less finished national plans, there exist now close interrelations and repercussions between national planning activities and

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58) See: "Socialist foreign economic relations", op. cit, Page 145/146.

plan coordination on the international level. The termination of this process for a certain five-year plan period is as follows:

- a- Elaboration of an orientation with regard to the contents and of a programme (including the time<sup>2</sup>table) for the organization of plan coordination through the "Committee for Cooperation in Planning" to be approved by the "Executive Committee of the CMEA".
- b- Multilateral and bilateral exchanges of information on first ideas on the economic development of the national economies in the forthcoming period and, above all, on mutual economic and scientific - technical relations.
- c- Results of these first consultations (led by the central planning agencies with participation of ministries and important economic organizations) lead to corrections or changes of the national plan drafts.
- d- Continuation of consultations in a more detailed way and signing of bilateral protocols on the results of plan coordination by the heads of the central planning agencies.
- e- Utilization of the aforementioned results in the "Standing Commissions" and other CMEA organs.



- f- Completion of the national economic plans, taking into account the results of international plan coordination.
- g- Conclusion of bilateral foreign trade agreements for the five-year plan period and of various agreements on scientific-technical and production cooperation (independent from a certain plan period).

This kind of connecting closely national economic planning and international plan coordination among CMEA countries promoted to a high extent the stable and dynamic economic growth within the individual member countries, the process of evening up existing differences as to the economic development level between these countries (see paragraph 1.4) and strengthening the integrating community as a whole. At the same time, in addition to the above mentioned problems in the field of cooperation in planning in general (see paragraph 3.1 and 3.2.) some specific questions as regards plan coordination are not yet solved sufficiently and there are discussions among economists of socialist countries how to improve further the effectiveness of these planning activities. Some of the problems concerned are to be presented in the following:

- 1- One of the main purposes of qualifying further the system of socialist planning in general, i.e. on the national level as

well as in the field of international cooperation in planning, is aimed at connecting planning and the use of commodity - money - relations in an optimal way (see inter alia paragraph 2.2 and 2.3 of this paper). As regards the coordination of five-year national economic plans, theoretical discussions and practical measures are concentrated in this respect above all on two specific questions:

- a) Consultations and agreements in the course of plan coordination in the past centred predominantly on production cooperation or the exchange of commodities in terms of volume, whereas the aspects of value and prices were neglected to a high extent;

Though priority in common planning activities will be given to the aspect of use value of goods also in the future (e.g. deliveries of a certain volume of specified raw materials, machines, equipment etc), much more attention will be paid to the development of prices and the value as a whole in order to avoid contradictions between the results of plan coordination (laid down in the respective protocols) and the following foreign trade agreements and commercial contracts based on planning activities.

- b) Connected with the role of prices in this procedure the problem of economic efficiency in a broad sense ranks highly now in proposals for further improving the effectiveness of plan coordination. According to the essence of this form of cooperation in planning as a procedure of coordinating national plans or the respective drafts this task requires in the first line that the planning authorities of the individual member countries have to strengthen their efforts in calculating the drafts of national economic plans in some variants, being the bases for multi- and bilateral consultations, as regards the consequences of structural changes on economic efficiency, especially on the national income and on the balance of payments. This includes highly aggregated comprehensive calculations from the point of view of the national economy as a whole as well as of some selected integration projects of great dimensions and requires the application of mathematical models and computers<sup>59)</sup>.
- c) There are discussions, too, on how to raise the role of international credits in coordinating five-year national

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59) See: "Efficiency of foreign economic relations of the socialist national economy", Publishing House Die Wirtschaft, Berlin, GDR, 1977.

economic plans. Apart from bilateral or multilateral credits being used for facilitating economic relations between CMEA countries there is a particular problem in connection with granting credits from the special funds at the International Investment Bank, aimed at promoting the economic and scientific - technical cooperation with developing countries, especially for financing exports of complete plants to countries of the Third World. The hitherto unsatisfactory utilization of this funds seems to be caused above all by insufficient links between these international credit facilities and the material processes of production and export in the national economies of the member countries of CMEA in the procedure of plan coordination.

2. Another problem is related to the principle of "continuous planning" in this special field of international cooperation in planning. Some analyses of the long-term development of foreign trade among CMEA countries prove that growth rates of inter-area trade are especially high in the middle of certain five-year plan periods and that they are lower at the beginning or the end of these periods.

This discontinuity in international economic relations between these countries seems to be caused above all by the kind of medium-term planning within the individual countries and in international plan coordination. According to the role of national plans as the basis for commercial contracts on the national and the international level the industrial and foreign trade enterprises are sometimes delaying the conclusion of new contracts because of the absence of approved plans at the beginning of a five-year plan period. In addition to it, at the end of these periods there may arise certain differences between the initial ideas as laid down in the respective protocols and the real possibilities or needs according to new internal and external conditions. Proposals and practical activities for overcoming these contradictions or deficiencies are directed on the following measures:

- a) Based on medium-term protocols of the planning authorities and the adequate trade agreements annual foreign trade agreements are concluded on governmental level, taking into consideration new conditions and tendencies.
- b) Long-term agreements or commercial contracts on cooperation in the fields of science-technology, investment and production, independent from fixed plan periods, play

an increasing role as a basis for export and import activities creating at the same time substantial preconditions for plan coordination for the following period.

- c) There are discussions among economists on the possibility or necessity of introducing a kind of sliding medium-term plan coordination, leading to better chances of reacting quickly to new conditions. The realization of this idea would require appropriate changes of the national systems of five-year planning as the bases for international plan coordinations. I hold the view that a combination of the existing system of fixed five-year plan periods and a certain sliding planning would help to overcome some of the above mentioned deficiencies. Up to now there is no uniform opinion as to this subject.

#### 3.4. Long-term joint cooperation programmes for selected branches or groups of commodities.

When analyzing progresses and deficiencies in economic integration among CMEA countries up to the middle of the seventies, it was found that in addition to the already existing mechanism of integration certain methods and joint actions were to be introduced in order to solve some long-

term strategic tasks being of utmost importance for all the member countries of this community and requiring capital investments, scientific-technical funds and other material and financial resources of huge dimensions. This concerns above all special measures to meet the economically substantiated needs of the member countries for basic kinds of energy fuel and raw materials, to develop mechanical engineering through extensive specialization and cooperation of production to meet national needs for basic foodstuffs and consumer goods and to modernize and develop transport links between CMEA member countries.

Hence the 30 th. Session of CMEA in 1976 concluded to elaborate the following special joint cooperation programmes in vital sectors of material production for a 10 to 15 year period<sup>60)</sup> :

- The cooperation programme in the fuel and power and raw materials industries;
- the cooperation programme in mechanical engineering;
- the cooperation programme in the production of basic foodstuffs;

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60) Communiqué on the 30th session of the CMEA, in: Economic cooperation among CMEA countries 4/1976, Moscow, p. 104.

- the programme of extended production and mutual deliveries of industrial consumer goods;
- the cooperation programme in developing transport communications among the CMEA member countries.

The first out of these programmes is getting obviously highest priority because of the role of energy and raw materials for all the other sectors of the national economy. It is aimed at ensuring a reliable supply of energy carriers, ferrous and non-ferrous metals, chemical raw materials and electric energy to dynamically developing economy of the CMEA countries. It will be carried out above all through

- concentrating large capital investments,
- pooling the material and financial resources of the interested member countries,
- more rationally distributing power-and material-intensive production processes as regards regional aspects,
- further developing the deposits of all kinds of fuel,
- accelerating the elaboration of methods for obtaining new energy resources and developing atomic power engineering.

The joint elaboration of these long-term cooperation programmes will be an iterative process basing both on national calculations as well as on certain methods of balancing and



optimization on the international level, taking into account the conditions and needs of this group of countries as a whole. There exist close interrelations to the national systems of planning and to the other elements of the aforementioned system of international cooperation in planning (see paragraph 3.2). Based on these programmes, the concrete obligations of the partners involved in a certain project and the mutual deliveries of the commodities concerned are to be fixed in a system of multi-and bilateral agreements and commercial contracts. As it is a new step in developing further the mechanism of economic integration among CMEA countries, there are a lot of discussions among the economists of these countries on problems connected with the elaboration and realization of the cooperation programmes. Discussions are concentrated on the following questions:

- 1) There are at the time being different and sometime extreme opinions on the role of these programmes in principle and on their influence on the systems of national planning as well as on the other elements of international cooperation in planning .

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61) See: M. Engert "Long-term planning from the point of view of cooperation in planning between the CMEA member countries", in scientific Journal of the University of Economics, Berlin GDR, 1/1978, P. 21 and W. Kunz "Improving the management and planning of projects of socialist international division of labour" in Wirtschaftswissenschaft, 11/1978, Berlin GDR p. 1373.

I hold the view that the joint elaboration of long-term programmes and their implementation means on the one side a new quality in developing further the mechanism of economic integration. By preparing decisions on selected projects of great importance for the futural structure of the national economies concerned it will promote the process of mutual adapting the economies and of establishing some international economic complexes in selected branches.

On the other side the programmes will not replace the already existing forms of cooperation in planning. The realization of the joint goals will take place in any case by fixing the concrete tasks and the mutual obligations within the adequate national plans and the agreements following the international coordination of planning (see paragraph 3.3).

- 2) Another problem derives from the necessary concentration on few selected subjects being of special importance for the integrating community as a whole or at least for the majority of the countries involved. Starting from proposals of the member countries there has to be found an agreement as to the projects or commodities as part of these programmes.

In the case of mechanical engineering for instance it will be possible only to select some highly dynamic branches being of greatest importance for the promotion of scientific-technical progress and some groups of commodities influencing to a high extent the realization of the goals of the other 4 joint cooperation programmes.

As regards the production of basic foodstuffs initial proposals of the member countries contained about 100 projects for the respective programme. The Hungarian central planning agency, which is responsible for the coordination of joint planning activities in this field, strove for a reduction on 34 common projects being of greatest importance<sup>62)</sup> for the integrating community as a whole .

- 3) Joint planning activities on the international level for periods of 10 to 15 years and on projects of such dimensions require a high quality in long-term planning within the individual member countries. Up to now the situation as to this task is different between the countries concerned. In some countries, e.g. in the GDR, priority was given in the past to short-and medium-term planning and in spite

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62) See Budapest Review, 1/1978. Page 1.

of some positive results in this field theoretical work and practical experiences are not satisfactory as a whole. Obviously, the CMEA conclusions as regards the elaboration of long-term programmes will stimulate, too, the adequate national activities<sup>63)</sup>.

- 4) One of the most important and at the same most difficult problems to be solved is connected with the procedure of collecting and evaluating the data needed for the elaboration of the programmes concerned and especially for finding optimal solutions. In addition to the well known difficulties in this field for long-term planning in general, caused by the high degree of uncertainty as to the scientific-technical and economic development for such periods, three specific questions are to be mentioned in the following:

- a- Unlike planning activities within one country a lot of data have to be provided by all the member countries involved in a certain cooperation programme. This includes above all informations on the probable development of

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63) See: Kinse/Poller-"Development and problems of long-term planning in the GDR" in Scientific Journal of the University of Economic, Berlin, GDR, 1/1978, Page 7.

- exploitable raw materials;
- investments;
- production capacities;
- research capacities;
- skilled workers in a certain structure;
- demand or consumption;
- production costs, internal and external prices.

On the one hand a sufficient level of planning and statistics has to be achieved in each of the member countries. On the other hand the respective obligations of the responsible national institutions or agencies for providing and checking the required data have to be fixed as part of appropriate agreements.

- b- As to the evaluation of the long-term development of internal and of external prices there are different opinions among the economists of socialist countries as regards the possibility and the necessity of such prognoses. Difficulties in this field are caused, above all, by the development of international prices on the world capitalist market.

In practice of national long-term planning most CMEA countries up to now use unchanged prices of a certain basic

64) period. I hold the view that in spite of the existing problems it is necessary and possible, too, to elaborate long-term price prognoses with a certain degree of probability and that using these probable prices is more advantageous from the point of view of finding optimal solutions than using fixed prices. At the same time calculations based on unchangeable prices will be needed too for purposes of balancing and of assessing the development in terms of volumes or use values. Thus we shall have calculations based on different price bases leading to a higher quality of the process of decision-making.

- c- Another problem is linked with the task of comparing such national data like production funds and costs, internal prices, wages or salaries etc. for the purpose of optimization calculations on an international level, from the point of view of the integrating community or of those member countries involved in a certain project. Caused by some existing differences as to the national regulations for evaluating the funds, calculating processing costs, forming internal prices etc. and by some hitherto unsufficiently solved problems connected with

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64) See: Z. Knyziak "Long-term planning in the system of national economic planning in Poland" in Scientific Journal of the University of Economic, Berlin GDR, 1/1978.

mutual exchange rates it is necessary to take into consideration these differences.

As we mentioned before (see paragraph 2.2) there is a tendency of gradual approximating the national regulations in planning, management, accounting etc., creating better prerequisites for joint planning and optimization. But at the time being special methods are used in order to overcome these difficulties<sup>65)</sup>.

In the present practice calculations are carried out in most cases on the national level of the countries involved, taking into consideration the conditions or needs of the partner countries within a system of constraints, as far as mathematical models are applied. Thus several "sub-optimal solutions" are achieved from the point of view of the participating countries. In an iterative process of consultations between the competent organs of the countries involved in this project such solutions will be found which guarantee advantages to each of them.

Apart from the aforementioned questions the elaboration of joint long-term cooperation programmes on the international

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65) See: J.F. Kormow "Specialization and cooperation of production of CMEA countries", Publishing House Die Wirtschaft, Berlin, GDR 1975 P. 162.

level with such great dimensions raises some more complicated problems like determining adequate optimality criteria, using appropriate mathematical models etc which are under discussion among economist, too, in connection with the requirements of long-term planning within the individual CMEA countries. Hence it follows that progress will be achieved step by step and that the procedure in this special field has to be considered as a "learning process" as well as in the case of the mechanism of socialist economic integration in general.



## Appendix (1)

### The Structure of the CMEA

#### Sessions of CMEA

#### Executive committee

Committee for  
cooperation in  
the field of  
planning

Committee for  
scientific-tech-  
nical cooperati-  
on

Committee for  
cooperation in  
the field of ma-  
terial-technical  
supply

#### Secretariat of CMEA

##### Standing Commissions for:

Chemical industry	Agriculture
Ferrous metallurgy	Transport
Non-ferrous metallurgy	Standardization
Crude oil and natural gas	Geology
Coal industry	Post and telegraphs
Electrical engineering	Statistics
Use of nuclear power for peaceful purposes	Foreign trade
Machinery	Currency and financial problems
Electronics	Construction
Light industry	Civil aviation
Foodstuffs industry	Health

##### Consultations of:

Representatives for legal questions	Ministers of home trade
Heads of price agencies	Heads of patent and invention offices
Heads of the boards of water control and management	Representatives of freighting and shipping companies

##### Scientific institutes:

Institute of standardization
International institute of socialist management
International institute of economic problems of the socialist world system

Appendix (2)

The Structure of Joint Economic Organization of  
CMEA Countries  
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1. Inter-state economic organizations:

- International Bank of Economic Cooperation and the International Investment Bank.

Member countries: all CMEA countries.

- International Centre for Scientific and Technological Information.

Member countries: all CMEA Countries.

- Central Office of the United Power System

Member Countries: all European CMEA Countries.

- Joint-Goods-Wagon-Pool

Member countries: all European CMEA Countries.

- International Organization for Joint Utilization of Containers

Member countries: all CMEA countries.

- International Organization for Cosmic Communications

Member countries: all CMEA Countries.

- Organization for Cooperation of Antifriction Bearings Industries.

Member countries: all European CMEA Countries and

Yugoslavia.

- Organization for Cooperation in the Field of Ferrous Metallurgy

Member countries: Bulgaria, Hungary, GDR, Poland, USSR and Czechoslovakia (partial cooperation of Romania and Yugoslavia).

- Organization for Cooperation in the Field of Particular Chemical Products.

Member countries: all European CMEA Countries and Yugoslavia

- Agromasch

Member countries: Bulgaria, Hungary, GDR, USSR.

- International Organization for Cooperation in Power Industry

Member countries: all European CMEA Countries

## 2. International economic organizations:

Important organizations include:

- Intertextilmasch and Interatomenergo

Member countries: all European CMEA Countries (Yugoslavia has partial membership).

- Interatominstrument

Member countries: Bulgaria, Poland, GDR, Hungary

- Interchemiefaser

Member countries: all European CMEA Countries and Yugoslavia.

3. The International Shipping Association

Member countries: Bulgaria, Hungary, GDR, Cuba, Poland,  
USSR, Czechoslovakia, Yugoslavia,  
India..

4. International Laboratory for strong Magnetic Fields and  
Low Temperatures

Members: The academies of science of Bulgaria, GDR,  
Poland, USSR.