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International Coordination of
Plans of Development Amongst
The Socialist Countries

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INTERNATIONAL COORDINATION OF PLANS OF DEVELOPMENT AMONGST THE SOCIALIST COUNTRIES

It has become evident that national economic activities in general and planning in particular are more and more linked with international problems in this field going beyond foreign trade matters. This is entirely true with respect to those socialist countries which are members of the Council of Mutual Economic Aid (CMEA), too. They already started systematic work to coordinate their national plans in the long-run. This will affect basically, without doubt, international economic relations between them and exert a certain influence on other international economic affairs. In order to make these tendencies clear and to get a good idea on the basis, principles and prospects of these international activities we shall study, first, the question what the starting point of international coordination plans in the CMEA - countries really is.

I. The Economic Basis for International Coordination of National Plans

The emphasis given now to international cooperation in the field of production among CMEA - countries has been caused, primarily, by two economic factors:

- (i) Modern industrial (and, to a certain extent, agricultural too) production asks for, at least, large series or even mass production as a presupposition of profitable output with using modern large-scale capacities fully, i.e. to utmost technical; technological and economic limits.
- (ii) All member-countries of the Council of Mutual Economic Aid now have an own multi-branch industry regardless of the still existing differences in productivity and other respects.

Hence arises the question: what are the consequences of these two problems which are closely related to each other? It is the experience of planning in the late fifties that, at a given high level of industrialisation, planning activities must cover a rather long period of time exceeding the traditional five-years calculations. This had become obvious for the first time in 1957/1958 in the USSR. At that time prospections for mineral deposits reached very good results: vast areas proved to be rich of iron ore, coal and other elements of natural wealth. Measures had to be taken, immediately, to utilize them. The last two years of the five-year-plan (1959 and 1960) which was in force, were found not to be sufficient for utilizing the newly prospected mineral deposits fully; calculations made by experts revealed that it would ask, for drawing up a new plan covering 1959-1965 (seven-year-plan) which could solve both problems: to start immediately utilization of the recently prospected iron coal etc. and to arrange completely all things connected with this activity (e.g. building of access railroads and roads to the newly explored areas, to develop and produce new equipment for utilization of natural wealth).

Thus, all the national economy proved to be affected and, consequently, the national plan in its main proportions and targets, too.

What is to be pointed out here is that planning activities are to a great extent affected or, more precisely, determined by the technical development, by its prerequisites (as e.g. by the a.m. prospecting activities) and by its consequences.

This observation was confirmed by another experience of national planning. Not later than in 1956/58 it was felt that time is over when the main targets of industrial production had been determined, preferably, by two major factors: (i) to establish new branches of industry or to develop those on a low level in order to make the country an economically advanced one; this meant to industrialize socialist countries rather at a full scale. Besides national independence is always based on a, at least, multibranch industry; (ii) to increase industrial output at a high rate of growth and with good quality in order to meet the fast increasing demand of industrial products within a very short period.

Up to this time, perhaps, it has been possible to draw up a plan of industrial production taking into consideration as a pattern the traditional structure of industry in the advanced countries. Moreover, sometimes targets of industrial plans had been determined, though partially, only by the non-existence or shortage of certain production.

As a matter of fact, planners of the socialist countries faced a new situation in the late fifties. All member-countries of the Council of Mutual Economic Aid had changed their economic character at that time, all of them now having an industrial production which considerably exceeded pre-war level. The structure of the industrial production which considerably exceeded pre-war level. The structure of industry, simultaneously, had changed basically.

The new task of planning, therefore, was to develop an industry with the view to model its structure, level and volume on the accomplishments of technical progress. Once there is an industrial apparatus available attention must be paid, predominantly, to the problems of planning technical and technological

progress, which asks for a detailed analysis of each productive process in all branches of industry. Moreover, when industrial production has reached a high level and covers almost all branches or, at least, most of them, its further development depends upon its qualitative tendencies, i.e., upon the development of its technical and technological basis. The starting point, of planning production, therefore, became the detailed planning of technique and technology. Structural and quantitative changes in industry are to be derived from these two matters.

Summing up we can state that at a given high level of production and with the existence of a large scale of branches (or with even full scale) planning of production (in industry) becomes somewhat like anticipating the results of the tendencies of technical and technological development which already started at present time. The planner is now facing the problem to analyse these tendencies and to foresee the lines they are likely to go and to "translate" them into concrete economic targets of the plan in accordance, of course, with the other conditions and aims of the plan in general.

Modern technique and technology cannot be applied without large series and mass production. Remarkable efforts and investments are inevitable if any industrialized country tries to keep ahead in this respect with all kinds of industrial production. The CMEA-countries which began to pay more attention and to spend more funds to technical advancement found themselves not in the position each to keep all branches of industry on an equally high level only by their own efforts and funds. Modern industry is a complex of unnumerous branches, but the economic power of any country is limited. In addition

to this, modern industrial production is run by large projects the output of which will surmount in many cases the local demand. Any country now has to decide how to bring its own relatively limited economic power in accordance with the pressing necessity of keeping all branches of industry at a high technical level which moreover, is improving steadily. As modern technique and technology request many economic efforts, and the CMEA-countries found their respective economic potential relatively insufficient, the whole problem, therefore, could not be solved on the national level. This was possible only joint efforts of some countries. It was a matter of course that all member-countries of the CMEA decided to tackle this problem by joint activities because international measures are likely to be very effective if they are taken by countries with the same socialist economic system or, at least, with the same principles of foreign policy.

As it can be seen the objective development of technique and technology as well as their economical application induced international cooperation, the character of which differs from international cooperation in the previous period. It now must start already in the preparatory stages of technique and technology which are called research and development. The results of work in these stages, however, mainly determine - as it had been mentioned before - the structure and volume of industrial production. This is why international cooperation is to be understood as cooperation in the field of production, officially known as direct cooperation. Foreign trade, once the main method of international relations between the member-countries of the Council of Mutual Economic Aid, has now become the way of realisation of direct international cooperation in the field of production. It has

to serve and to further specialized and technically advanced industry as the basis for general economic progress. International cooperation and, consequently, international coordination of national plans does not start any more when the process of industrial production had been already finished but it will begin just before the first good will be produced.

It needs no special stress that this line of international organisation of industrial production leads to a decrease in cost of production, and to an increase of productivity.

We called the new way of planning some sort of anticipating the economic results of technical progress which is to come. We had in mind to stress that one basis of (long-term) planning is the future structure of industrial production which is the result of technical progress. There is, however, a complementary basis for long-term planning and international coordination of national plans. This is the present volume and structure of industrial production in all countries concerned.

It is generally known that CMEA - countries had undergone a process of industrialisation during the fifties on the national level (cf. Memo. No. 194). This process now will continue on an international scale. The results of national industrialisation, therefore, form a rather solid basis for international cooperation, but not because they are existing and must be taken into account willy-nilly. We must estimate this fact from a principal point of view which was already confirmed by the experience of socialist planning.

International economic relations depend to a great extent upon the variety of products which can be exchanged and upon the level of productivity. If we neglect the second factor, productivity, or assume that it is equal in all partner-countries, the exchange of goods will be or can be rather extensive the greater the number of branches of industry is. There exists a direct relation between the variety or number of branches of industrial production and the number of goods ready for exchange. Moreover, if the number of branches of production is increasing this will affect not only the number of exchanged goods but even the volume of foreign trade. If one wishes to develop foreign trade it becomes inevitable to develop a large-scale industrial production. But as far as foreign trade is understood as a form of international economic relations, a large scale industry must be developed on a national level, first. Thus, national industrialisation is the precondition for national independence and for an advanced and extensive foreign trade. It can be stated that a close international cooperation or even international coordination of plans as it is intended by the socialist countries is objectively possible only if those national economies which are to be coordinated have been industrialised to a certain minimum. This conclusion must be stressed because international cooperation and coordination of plans does not aim at coordinating mono-branch countries which implies a low economic level and national dependence.

If so, international cooperation with a view to specialisation of national production is determined by the stage of national industrialisation. If so, furthermore, international cooperation and coordination of plans must be defined as specialisation of national production branches, sub-branches and even

by single products. International cooperation etc., therefore, will not involve the liquidation of branches in the countries concerned because this would besides other problems, as a matter of fact, deprive international cooperation of its basis and the number and volume of goods exchanged would be reduced.

The Present structure and volume of national industrial production and a relatively high stage of industrialisation, are, therefore, the second, complementary, basis for international cooperation and coordination of plans in the l.m. sense of national specialisation or international division of Labour. At this moment the problem discussed will meet the problem of technical progress and the uncapability to maintain it in all branches of industrial production only on the national level. After the initial industrialisation, which is necessary for all countries, national economic power will prove to be relatively limited to develop further nationally all branches of industrial production. This would also be of rather a small efficiency and waste national funds.

As a modern industry requires a fast increasing variety of goods on a high technical level and owing to the fact that a national economy is not in the position to manage this manifold production economically and technically, the problem must be solved on the international scale. International cooperation involving specialisation of national production, therefore, is the only way for further national industrial progress after the initial industrialisation had been accomplished.

The urgent necessity of international cooperation and coordination of plans which the socialist countries are facing must be discussed also from a third point of view. It is true,

that this is the practical outcome of what has been said before but it deserves, nevertheless, special consideration.

To make it quite clear, all socialist countries of the Council of Mutual Economic Aid now are definitely industrialised with the exception of Mongolia, but they are so not on the same level. There are, consequently, some advanced national economies, as e.g. the German, and a series of less industrialised ones.

Technical progress causes, as a matter of fact, a fast increase of the number of new products predominantly in the processing industries. The German engineering industries, e.g. are producing (1961/62) about 30.000 various goods out of a total of 36.000 which are usually necessary in an advanced national economy. All these 36.000 products of engineering must be available in order to maintain industry on a high level. But partial attempts to produce all of them in German industry failed. The result was an increase in the number of goods but a decrease in the magnitude of series. There arose a contradiction between the series production decreasing on the one hand and the technical and economic necessity of increasing series as a precondition of increase in productivity on the other. It was decided to take urgent measures to reduce the number of products in engineering and, simultaneously, to extend large series production. If not so, the German national economy would not be able to keep up a high rate of growth. This decision to reduce the scale of produced goods implied the offer to other countries of the CMEA to take over the production of these goods. This way would provide both advanced and less industrialised countries the possibility of concentration of industrial production. As far as the less advanced

national economies are concerned they are now in the position to draw up their plans of industrial production on the basis of large series because they now have to supply e.g. the German industry with those products taken over from it. Productivity would increase and foreign trade, too. The less advanced countries, moreover, now are able to increase their rate of growth due to the fact of concentration of engineering. This increase in the rate of growth is one prerequisite of bridging the gap between the different levels of economic development of CMEA-countries.

Concluding we can state that the problem of international cooperation and coordination of plans proved to be very pressing for the most advanced socialist countries and it provided the other countries, too, the possibility of faster going ahead in industrial production.

Last not least international cooperation and coordination of national plans has been caused also by social factors. The member-countries of the CMEA have finished all basic changes in the internal political, social and economic structure which are necessary for the abolishment of feudalism. They are now going ahead to form the new social system of socialism finally, and to envisage first measures in the field of economic preconditions of the later communist era. These preconditions can be defined as a high level of education of all people and skilled labour, a high level of productivity and an advanced industrial and agricultural production which is enough to provide an abundance of all goods necessary for the well-being of mankind. This simplified definition reveals that the social aims of the CMEA-countries in the long-run coincide with the general policies and planning

activities in the field of production on a high technical level.

International cooperation and coordination of plans will contribute to a significant increase of the economic power of the CMEA-and all other socialist countries. This is believed to be the most important basis for the peaceful coexistence and for the final and peaceful defeat of the imperialist and colonial system.

While discussing the problem of the economic basis or the starting point of international cooperation and coordination of national plans we may not limit our considerations only to principle considerations. We must be well aware of the economic potential the CMEA-countries which is to be coordinated.

If we try to define the general economic character of the member-countries of the Council of Mutual Economic Aid we find that they be divided into three groups:

- (i) Industrial countries: e.g. USSR, Czechoslovakia, German Democratic Republic;
- (ii) Industrial-agricultural countries: e.g. Hungary, Bulgaria;
- (iii) Agricultural countries: Mongolia.

As most of the member-countries with more than 95% of the total economic potential belong to the groups (i) and (ii), the bulk of this potential being concentrated in the first group, it becomes evident that the international cooperation and coordination has to deal with, predominantly, an industrial complex. This complex comprises exclusively all branches of modern industrial production and disposes of rich mineral resources with the exception of only few raw materials such like caoutchouc and other tropical products.

It is useful, now to realise what are the main results of planned economic development in the countries concerned during the post-war period when these countries had exercised economic cooperation on a lower level and had a given special emphasis to national industrialisation without having the possibilities of setting up an ample system of international division of labour as it is now envisaged.

- a) The gap between the industrialised and former agrarian countries has been diminished this can be seen from the following selected data:

% out of total industrial+agricultural production <u>1/</u>			
		Industry	agriculture
Bulgaria	1939	25	75
	1960	69	31
German Dem. Rep.	1960	87	13

- b) Industrial development in the former underdeveloped countries of eastern Europe has been based, above all, on a rapid growth of investment goods production has changed as follows:

% of investment goods out of total industrial pro- duction <u>2/</u>			
	1937/39		1958/59
Poland	47		52,5
CSSR	49,3		58,5
Hungary	44,8	(heavy industry)	64
Rumania	45,5		58,9
Bulgaria	22,6		45,5

1/ Sources: Statistical Yearbook of the GDR 1960/61 p. 176
Die Wirtschaft No. 36/1961 p. 16.

2/ cf. "Einheit" No. 6/1961 p. 876, Berlin.