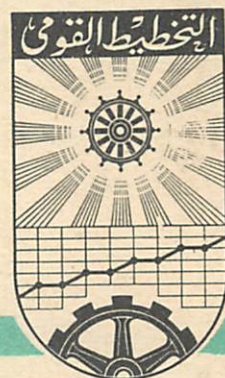


# UNITED ARAB REPUBLIC

## THE INSTITUTE OF NATIONAL PLANNING



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THE INSTITUTIONAL FRAMEWORK OF  
SOCIALIST FOREIGN TRADE PLANNING  
AND THE WAY OF DRAWING UP THE  
PLAN

BY

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The Institutional Framework of Socialist  
Foreign Trade Planning and the Way of  
Drawing up the Plan.

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This is the 2-nd paper in the series of Memos,  
dealing with socialist foreign trade planning.  
Please, see also Memo. 992 "Some basic  
questions on Foreign Trade Planning."

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## The Institutional Framework of Foreign Trade

### Planning and the Way of Drawing up a Plan

The basis for the organization of <sup>Foreign</sup> trade in all socialist countries is the state monopoly of foreign trade. In conformity with the basic principles of a planned economy also the foreign trade of the German Democratic Republic is effected on the basis of this state foreign trade monopoly in connection with the currency- and foreign trade transport monopoly.

The foreign trade monopoly is characterized by the following 3 items:

1. Direct management of foreign trade by the socialist state. Usually there is a special state body in charge of the entire management of foreign trade on central level, e.g. in the GDR it is the Ministry for Foreign Trade.
2. Planning of foreign trade, which contains both planning on central level and on decentral level.
3. A State system, laying down, which body (or which organization) may carry through certain foreign trade operations in which field and to which extent.

The concrete forms and methods of state planning and management as well as the system of materialization of the different export and import operations are not unchangeable. In accordance with the respective concrete conditions that result both from the development standard of the country's own national economy and from the political and economic relations with other countries, these forms and methods are continuously perfected and developed. Thus during the first years of building socialism in the G D R there existed a very strong centralization in foreign trade and the so-called protective function of the foreign trade monopoly prevailed, i.e. foreign trade monopoly above all was used as an instrument for protecting the national economy against possible disturbances from external markets.

Such a strong system of centralization, which means that only a few bodies or enterprises are competent for export and import operations, has various advantages:

- it favours the unified implementation of the economic and political aims of foreign trade,
- it protects the economy against undesirable impacts exercised by external markets,
- it makes it possible to increase the efficiency of foreign trade.

On the other side, of course, such a strong centralization of foreign trade over a long period may cause some problems, e.g. the isolation of the industrial enterprises, the producers, from the development taking place in the world markets particularly with regard to scientific and technological progress. In the early 60-ies therefore, in connection with the achieved development-standard of our national economy, the requirements of the scientific technological revolution and the ever growing influence of socialist international division of labour in our production, the G.D.R. has been making efforts aimed at increasingly involving the industrial enterprises into the immediate foreign trade activities and still more to stimulate them in carrying through foreign trade transactions. Those measures are in close connection with the introduction of what is called "Economic System of Socialism."

Studying this historical development of the foreign trade monopoly and the experiences gathered by other countries from the aspects of the developing countries one can say that it is also necessary, to establish a state monopoly of foreign trade and to develop it in a comprehensive way on the basis of the concrete conditions in each developing country .

Usually the first step will be the nationalization of foreign trade and then the establishment of a central state organ for foreign trade planning and management and the establishment of a number of national foreign trade enterprises, which have a monopoly in importing or exporting certain goods. Nowadays one can see that a number of developing countries is doing these steps.

Now let us go more into details in organizing foreign trade planning under socialist conditions.

# 1. The institutional framework and the organization of foreign trade planning

## 1.1 Basic principles for organizing foreign trade planning.

As mentioned before, the basis for organizing foreign trade planning is the foreign trade state monopoly. Derived from this monopoly, there exist some basic principles of organizing foreign trade within the whole national economy which proved to be very effective both from the political and economic points of view. Such main principles for planning foreign trade are:

A. On the basis of the foreign trade state monopoly planning and management of foreign trade has to be carried through on the basis of a so-called pyramid system. All organs resp. enterprises which are planning and managing foreign trade and also those organs which carry through the foreign trade operations are involved in this planning pyramid and linked with one another. The foreign trade planning pyramid is part of the comprehensive pyramid of planning the national economy.

Roughly we distinguish 3 levels of planning:

- (a) Central level (Council of ministers,  
Ministry of planning).
- (b) Branch level (Ministries of industry,  
Ministry of Foreign trade etc.)
- (c) Lower level (producers of export goods, foreign trade  
enterprises, buyers of imports).

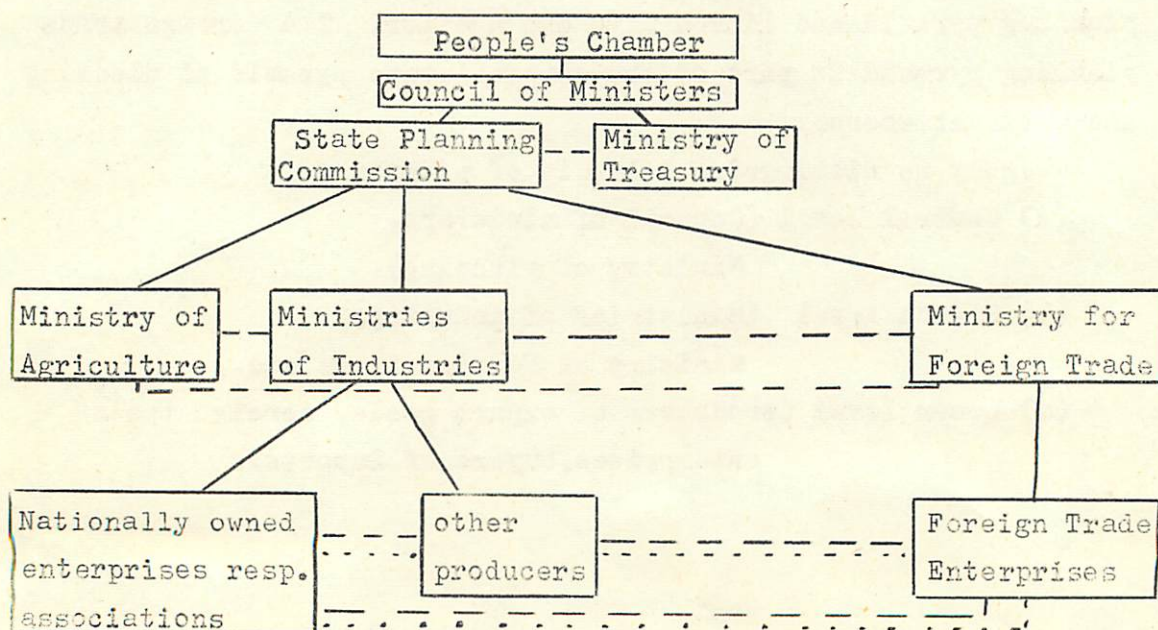
A fundamental principle is that at central level the most important questions of foreign trade are planned and decided. These are questions of major significance for the future development of the national economy. (We will explain the tasks of the central state organs in the field of foreign trade planning later.)

The pyramid set up becomes apparent through the fact, that the tasks on foreign trade planning and the foreign trade plan itself are more and more detailed as it passes down to the lower levels. Questions concerning the structure of assortments and the different business transactions have to be planned at foreign trade enterprises level and at producers level.

The following scheme gives you an idea about the pyramid set up for foreign trade planning.

#### The Pyramid of Foreign Trade

##### Planning in the G D R



Explanations:

\_\_\_\_\_ relations with the character of orders

- - - - - this are relations with informational character  
..... this are contractual relations

B. When foreign trade planning comprises all these separate stages or levels of the national economy, there must be a continuous flow of plan indicators from the top to bottom and vice versa. Thus, an other main principle of planning and management will be realized in this field, namely democratic centralism. This principle requires, on the one hand, strict centralized foreign trade planning, fixing the important economic targets at central level for all concerned and making them binding so that economic development as a whole according to plan can be ensured. On the other, democratic centralism contains the comprehensive use of the creative power of the working people and their participation in plan drafting, implementation and supervision. Through the use of these potentialities the plan can be improved upon, well-defined and reserves can be drawn upon.

Democratic centralism in this sense means, that all enterprises, producers etc. on the lower level will make their proposals regarding the plan and hand over them to the ministries and other central level organs.

C. The third basic principle of organizing foreign trade planning is the so-called 2-canal-planning system. As you can see from the planning pyramid there exist two canals as for the flow of plan indicators from top to bottom and vice versa. On the one side we have a flow of plan indicators from the state planning commission to the ministries of industry, agriculture etc. and from these ministries to the production units. On the other side plan indicators are distributed from the state planning commission to the ministry of foreign trade and from this ministry to the foreign trade enterprises. After making plan proposals on the lower level these proposals are handed over to the ministry concerned and

we will find the same flow resp. canals of plan proposals vice versa. Of course it is necessary to realize the planning process through both canals simultaneously and in close cooperation and connexion between all organs both on the same level and on different levels.

Summarizing we can say that these principles for organizing foreign trade are at the same time a concrete expression of the basic idea of the Economic System of Socialism in the German Democratic Republic, which reads as follows: "Strengthening central state planning and management and on this basis connecting it directly with the responsible planning and management on enterprise level and with organizing the social life regionally through the local state organs."

The outstanding feature of our planning system is the strengthening of central planning and, parallel to it, the extension of planning at the lower levels. So, we do not follow the concept of central versus decentral planning, but we are rather in favour of combining both activities. As the G.D.R. economy is a socialist one and the public is owning most of the means of production priority must be given to the central planning.

The economic function of the socialist state and the binding force of central state plans are essential features of a socialist economy. They ensure the unity of the overriding political will of the society and the unconditional maintenance of its basic interests, and, at the same time, create such conditions for highly effective work of enterprises to the benefit of the society that the highest possible rationality of economic activity is guaranteed.

On the basis of the mentioned 3 principles for organizing foreign trade planning all organs and all workers are involved in the planning process and are participating in planning.

1.2 The major tasks of the central state organs in the field of foreign trade planning.

After dealing with the main principles of organizing foreign trade planning we will give you a rough idea about the major tasks of the central state organs in the field of foreign trade planning. Of course, these tasks depend upon the stage of development and upon the actual political and economic situation. But there are general experiences in bearing responsibilities in the field of foreign trade planning and we will concentrate our explanations on it.

(1) The People's Chamber and the Council of Ministers

The people's Chamber being legislative organ enacts the law on the long-term plan or the annual national economic plan. In this connection the foreign trade plan which is part of the national economic plan is laid down with its most important indexes.

The Council of Ministers as the supreme executive organ controls the materialization of the national economic plan and by it the foreign trade tasks. Necessary changes of the state foreign trade plan, e.g. increase or decrease of the volume of export and import as a whole or of what are called state plan positions have to be submitted to the Council of Ministers for confirmation. Important trade and payment agreements are likewise submitted to the Council of Ministers for decision.

(2) State Planning Commission (Ministry of Planning)

The State Planning Commission plans and determines the structure of foreign trade and the volume of exports and imports from the aspect of the proportional and optimal development of the national economy and using foreign trade as a factor of increasing the rate of growth of national income.

The State Planning Commission is responsible for a correct co-ordination of the foreign trade tasks with the development of the other branches of the national economy. It deals, in the first place, with long-term development.

In this context it is of special importance to establish correct relations between the development of investments and the structure of export and import. The commodity structure of foreign trade is planned

at this level for about 30 groups of products and approximately 400 important positions. Within the framework of economic co-operation with the member countries of the Council for Mutual Economic Aid (Comecon) the Planning Commission carries out international co-ordination of national economic plans and concludes agreements with the Planning Commissions of other Comecon countries. This task becomes more and more important under the conditions of an increasing process of international socialist integration and also concerns the tasks of the Ministries of Industry, Foreign Trade and others.

The Planning Commission also maps out the methodical regulations for the co-operation between the different branches of the national economy (foreign trade, industry, agriculture, transport etc.) for drawing up the foreign trade plan.

(3) Ministries of Industry, Agriculture etc.

In the GDR we have several ministries of industry in conformity with different industrial branches. Furthermore there exist a Ministry for Agriculture and Foodstuffs Production, a Ministry of Trade and Supply, of Building etc. The following tasks will be enumerated for the Ministries of Industry, but they are of analogous validity for other ministries.

The Ministries of Industry are central organs of the Council of Ministers in charge of planning and management of different industrial branches. They have likewise to solve important tasks in foreign trade. These tasks, above all, include guidance to and control over the Nationally Owned Enterprises, allied in Associations of Nationally Owned Enterprises, as for the tasks of industry in manufacturing and marketing of export commodities. The ministries have to exert an influence on scientific and technological progress, on the more purposeful organization of cooperation between the national branches of industry as well as between the corresponding branches in other socialist countries.

In the field of import the Ministries of Industry bear also special responsibility. Within the framework of the entire quotas fixed by the State Planning Commission, the "balancing" organs-- mainly the Associations of Nationally Owned Enterprises-- draw up an import plan with regard to assortments, quality, terms of delivery etc. The specific import requirements, contained in the plan, are channeled to the foreign trade enterprises and included in the foreign trade plan. In the case of larger import requirements, put forward by the Associations of Nationally Owned Enterprises and individual enterprises concerning raw materials, fuels, semi-finished products, investments or production licences, the

Ministries of Industry decide on the priority of these requirements and on their inclusion in the foreign trade plan. In all these questions they closely co-operate with the Foreign Trade Ministry.

(4) Ministry for Foreign Trade

The Ministry for Foreign trade bears main responsibility for planning and managing the foreign trade activities of the German Democratic Republic. It is the central organ of the Council of Ministers for foreign trade and directs, co-ordinates and controls about 25 trade enterprises of which it is in charge. These enterprises carry through the bulk of all exports and import transactions with foreign trade partners. The Ministry confirms the long-term plans and the annual plans of the foreign trade enterprises; it regulates the financial relations with the state budget and works out the system of economic levers for the branch of foreign trade. On the basis of plan proposals of the lower levels and in accordance with plan indicators, handed over by the State Planning Commission, the Ministry for Foreign Trade elaborates the comprehensive foreign trade plan and submits it to the State Planning Commission.

With the aid of foreign currency allotments to the foreign trade enterprises it exercises an immediate influence on the materialization of the import plan. In addition to that, the Ministry is entitled and obliged to give guidance to and to exercise control over all the other economic organs of the GDR as for their activities in foreign trade markets, although these organs are subject to a different central authority. One major task of the Ministry is long-term planning and management