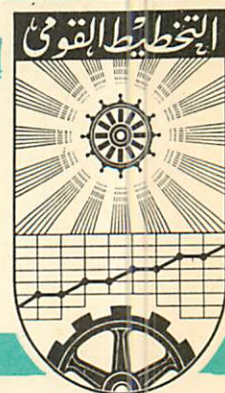


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Economic Development and
International Integration

by

Prof. Dr. H. Linsel

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International Economic Integration-Chance or Necessity

At the present time a general tendency towards the formation of new economic areas can be observed all over the world.

International economic integration you will find in the capitalist world; look, for instance, at the two West European economic formations as there are the European Common Market (ECM), sometimes also called European Economic Community (EEC)¹⁾ and composed of Belgium, France, Italy, Luxemburg, the Netherlands, and West Germany. This community has been established in 1958 on the basis of the European Coal and Steel Community which was founded in 1953. Or look at the European Free Trade Area (EFTA) comprising Austria, Denmark, Great Britain, Norway, Portugal, Sweden, and Switzerland. This second co-operation has been founded in 1960 and was joined in 1961 by Finland as an associated member.

Or look at the socialist Europe, where socialist countries are closely connected by the Council of Mutual Economic Aid (CMEA) since 1949 when the CMEA has been set up so as to co-ordinate economic activities of European countries and to promote their economic development.

But international economic integration is not only the matter of highly developed or industrialized countries; you will find remarkable co-operation between developing countries, too.

1) According to my mind, Economic Community is not the right notion for that what happens in Western Europe today; it is rather a Common Market.

May I remind you of the free trade areas of Latin-America, where we find two considerable projects. At first there is the Latin American Free Trade Association established in 1960 by Argentina, Brazil, Chile, Paraguay, Peru, Uruguay, and Mexico. This organization got well-known under the notion Montevideo Treaty Organization. Secondly, there should be mentioned the Central American Common Market comprising the four central American countries El-Salavador, Guatemala, Honduras, and Nicaragua. Later on Costa Rica joined the treaty.

Concerning Africa and the Near as well as the Middle East the formation of free trade areas has not yet reached such a level up-till-now. Of course, certain efforts are being made also concerning Africa and Asia as well. So, for instance, between Iraq, Kuwait and the UAR, or in regard to Ghana, Guinea and the Mali, and between a number of former French dependencies. But as mentioned, ties between African and Asian countries are, up till now, not yet the closest ones.

Two questions are arising out of these first and few remarks.

- a) in the treaties founding international economic associations there is spoken about: free trade area, common market, economic community, or mutual economic aid; is the use of different notions nothing but a mere contingency? Is always the same subject, namely economic co-operation, termed by means of different notions? That is the first question.
- b) international economic associations are being formed between developed and highly industrialized countries and between developing countries, too. Regarding developed countries they are being formed between socialist as well as between capitalist countries. Out of this our second

question is arising. What are the real reasons for founding international economic associations?

1. The Notion of International Economic Integration

When talking about international economic integration people usually bear in mind certain changes in economic and political institutions, they bear in mind the construction of supra-national corporations they consider necessary for increasing the possibilities of foreign trade. But these changes are by no means agreed upon. At least, concerning non-socialist countries. In case of European socialist countries there is, on principle, full conformity as to the real contents of their international community. They have agreed upon the number and the degree of integration and they are practising close economic co-operation for over a long period of time.

When investigating international economic integration and defining this appearance we should proceed from the thesis that international economic integration is something like a process; something being in a steady flow and developing, therefore, towards an ever growing degree of mature and perfectness; i.e., from the lower to the higher stage.

Every process of development is at the same moment of time the summation of separate stages of stagnation. Like a photographic shot we are able, therefore, to distinguish within this process of development several more or less strongly limited and relatively perfect periods.

This so, because the development happens by leaps and bounds in quantities and by means of accumulating small quantities up to that time the old quality is turning over into a new one, i.e., up to that time a qualitative leap will be happening.

As certainly known, quantitative modifications are proceeding more or less gradually and often scarcely noticeable. In the beginning they do not modify the qualitative features of a thing or appearance to any substantial extent. Little by little, however, and subsequently they accumulate and, finally, lead to a radical qualitative change; i.e. quantity passes into quality.

The transition of a thing through accumulation of quantities or quantitative modifications, from one qualitative state into a different and new state, is known as a leap in development.

This goes for all sorts of development. Needless to mention examples.

Accordingly, I cannot agree with the opinions published in the to-day's economic literature and saying that international economic integration is, as one published extreme, the entire, that means the economic, social, and political unification of hitherto independent countries, or, as the other extreme, that the mere existence of foreign trade relations between independent national economies means international integration.

Proceeding from my opinion that international economic integration is a current process I would like to see the entire economic, social, and political unification as the strategic aim which can be reached under certain conditions and circumstances only. I intend to deal with these special conditions and circumstances later on, and after having explained my view concerning economic integration between non-socialist countries and after having investigated the obstacles coming into being when trying to integrate capitalist national economies, although this should not be main concern of our paper dealing with economic

integration in the light of developing countries.

When saying that entire economic, social and political integration is the aim of that process, we have to look for its starting point. And here we have to decide whether the mere existence of foreign trade relations between independent national economies can be looked upon as the real commencement of integration or not.

I would like to say no!

I rather incline to the opinion that one should start speaking about economic integration, its commencement, in that case, a group of countries is beginning to differ from all the other countries in running foreign trade activities among the national economies concerned, on the one hand, and foreign trade relations between the group or the separate countries of the group and so-called third countries, on the other.

Thus, we should consider the formation of free trade areas the starting point of real economic integration.

What that?

In everyday usage integration means the bringing together of independent parts into a whole forming a new quality. Integration does not mean a mere collection of separate things at all, that is to say, without changing the character of parts brought together. And the first changes can be observed in case of free trade areas.

What do they imply?

In the treaty of the European countries forming the European Free Trade Area there it is fixed that aim of the corporation consists in abolishing tariffs and quantitative

restrictions hampering foreign trade relations between the participating countries. Tariffs and restrictions of the contracting partners against non members are not being touched by the treaty, but they are the very matter of the separate countries.

What is to say about the effectiveness of free trade areas?

Let us try to explain this by means of an example related to the European Free Trade Area.

Within the EFTA Great Britain represents the strongest member state from the economic and political point of view as well. To Great Britain there belongs the Commonwealth. Although a relatively loose federation of independent states, the economic ties between them are considerable ones and marked by low tariffs and the full appraisal of the most favoured nation clause in any case. There is no doubt, foreign trade activities between Great Britain and the Commonwealth Countries are at a high level. And not only from the quantitative point of view. During the time of political dependence, partly lasting some centuries, between the so-called motherland and the dependencies a certain system of division of labour has come into being, in the framework of which the economic development of the separate parts has more or less been adjusted justifying now and making possible close economic relations between them.

I do not like to investigate now and here whether the close relations are of mutual benefit for both the parties or not, but that can be stated, the British national economy has been built up proceeding from the existence of these relations and is depending on them and any cut off or even cut down from them will hit the British national economic development very sensitively.

I would like to remind you of the discussion between the British and the memberstates of the ECM, where the French hit Great Britain at her sorest point, when they required her to abandon most favoured economic relations to the Commonwealth in favour of becoming member of the European Common Market.

As certainly known, Great Britain dispensed with the ECM in favour of maintaining close relations to the Commonwealth. And she is forced to do so.

Diametrically opposed is the situation regarding the other European countries belonging to the EFTA. Their economic relations to the Commonwealth are similar or equal to the relations to any other country; that is to say, they are no looser than those to other oversea countries and their economic development is, therefore, not so closely connected to them, than that of Great Britain. Quite the contrary, before entering the EFTA the other European countries protected their economic development by erecting customs barriers against uncontrolled flowing in of commodities from oversea. These customs barriers have not been removed after entering the EFTA. But are they still effective? That is the question! They are, of course, effective as far as trade between the Commonwealth and EFTA countries, except Great Britain, directly is concerned. As soon as, however, commodities take their way via Great Britain, customs barriers of all the other EFTA countries can be evaded; and there is no controlling, if even in the treaty should be a clause prohibiting English firms to reexport commonwealth commodities or goods at all.

What will be the result?

First of all, we have to state that a free trade area is always in favour of the strongest memberstate and against the weaker members which have to tolerate, via the stronger partner,

uncontrollable influx of commodities from abroad.

The weaker ones are suffering, therefore, in a twofold way:

- 1- they are suffering from losses of customs revenues; and if customs barriers have been erected so as to protect the domestic industry, this industry will
- 2- be suffering from dropping outlets for its own products. From this there appears a row of other and detrimental effects not to be dealt with here and now.

So far to the first or lowest form we should call economic integration.

For repeating, the lowest form of economic integration is represented by free trade areas, where customs tariffs and quantitative restrictions between the contracting countries are abolished, but each country retains its own system of tariffs and trading regulations against third countries.

The next step or stage of economic integration would be reached in erecting an uniform system of tariffs and quantitative restrictions against nonmember states. This is being done in so-called customs unions.

The negative effect, mentioned above and resulting from different tariffs of contracting partners against third countries, can be removed in case of a customs union. But, anyhow, this form of integration would only be advisable in cases, where contracting countries have reached the same level of economic development and where the differences concerning national economic policies are no essential ones. Otherwise, the impact of customs union would only be in favour of the most developed countries (or even country) promoting their further economic

development by shaping new outlets within the customs union and hampering industrial or national economic development of the others being already more behind.

Lots of western economists do not agree to this statement. Of course, they do not try to doubt the fact that customs unions will affect the weaker countries and especially the weaker enterprises in the negative. They cannot doubt, even because it is a fact demonstrable without greater difficulties by statistical figures. But, usually, they assert that this destroying effect in reality is not a destroying, but a promoting effect promoting the development of productive forces by means of international competition and restricting in this way harmful state influence on economic development which is supposed to be a detrimental one causing low level of economic development at consumers expense.

This argumentation seems to be correct when considered superficially. In case of a more exact contemplation its transparency becomes obvious, however.

The next and higher stage of international economic integration is reached in common markets, where not only uniform customs tariffs have been erected against third countries or non member states and where all quantitative restrictions hampering foreign trade activities between members have been removed. In the case of common markets also those bounds have been abolished embarrassing factor movements between the contracting partners.

What does that mean?

When talking about factors in this context one bears in mind factors determining cost of production and, finally prices of goods. Accordingly, we have to think of labour and capital

exchange between contracting partners shaping and ensuring step by step uniform conditions of production in the separate countries and making possible, in such a way, equal cost of production.

Of course, there is, under capitalist conditions of production, a certain possibility for capital movement. This would be, therefore, no essential problem. But what about labour?—As certainly known and it appears evidently from experience, that a man is of all sorts of luggage the most difficult to be transported. That was already stated by Adam Smith.

In modern capitalism there are pros and cons for labour movement. The pros are, for instance, differences in wage policies, social benefits, monetary and fiscal policies and the regulation of working time.

The cons, however, are more numerous and more essential ones.

Usually, we have to recognize two big groups of obstacles:

- 1- the group of sociological and psychological obstacles; comprising
 - differences in languages,
 - different customs and behaviours in the places of emigration and immigration respectively, so, for instance, concerning religion, cooking habits, or customs of nutrition, in general etc., and
 - the loss of the accustomed environment at all,
- 2- the group of natural and economic impediments as, for instance,
 - climatic differences,
 - job and wage insecurity, combined with the loss of seniority,

- inadequate housing facilities at the place of immigration and, as one of the most important factors
- the lack of correspondence in qualities of workers demanded and supplied; the last factor is being hardened by differences concerning applied systems of vocational training; we have to think of the fact that migration movements usually are coming into being in overpopulated areas, where, usually again, the level of education is frequently more than low and would-be migrants have not even a fundamental and elementary education; not to speak of vocational training. On the other hand, however, in immigrating areas being underpopulated either relatively or absolutely demands are high for well-trained and specialized skills.

Of course, these two groups of hinderances differ from each other very clearly; and especially concerning the factors, mentioned in the second group, one could say that they were removable ones, at least as far as not natural (climatic) conditions are concerned. But that cannot be the question, since these factors are resulting from different social and financial policies, from different national economic policies, earmarking the countries which are forming common markets.

If there would be conformity concerning these policies a next stage of international economic integration would be attained, the stage of full economic community. Within an economic community not only bounds hampering commodity and factor movements are being abolished, but also a certain harmonization of economic policies has happened removing in such a way - at least step by step - differences between countries which are finally leading to unproportional development within the integrated area and

making international economic integration a favourable matter for the strongest countries within the corporation only.

Theoretically considered, such a construction is possible to be erected without further ceremony. Practically, however, there are under capitalist conditions of production insurmountable difficulties. Look for instance at the European Common Market. They are going to prepare - in a certain sense - an economic community. But what happens? - The negotiations concerning agrarian policy failed endangering the existence of the Common market, not to speak of establishing economic community.

For the time being, the existing differences of opinions could be suppressed by means of compromises. But according to US News & World Report, in its edition of July, 19, 1965, General de Gaulle tries to repel the Common Market to another European trade zone. He is ready to permit Britain, Denmark, and Norway to enter this new Common Market, but on condition that they help de Gaulle reducing America's influence in Europe.

But before speaking about difficulties in connection with and possibilities for establishing international economic communities, let us deal with another problem which is logically coming to the fore.

I mean the problem of why international economic integration is going to be; and that, considered under the different points of view.

Introductorily, I have mentioned that international economic co-ordination happens all over the world, no matter what economic level of development is being reached. We find integration between highly industrialized capitalist countries, between developed socialist countries, and - last but not least - between developing countries, too.

2- Reasons for international economic integration

First of all, we have to state that international economic integration is an outcome of the development of productive forces. That is a general remark. But, what I want to say is that there is an objective foundation for this tendency. International economic integration is by no means a matter of desires.

But how can it occur that the same appearance based on the development of productive forces happens all over the world in spite of different levels of economic development. That is the question inquiring an answer.

We have to start with stating that the influence of productive forces on forming international economic integration is a manifold one.

Generally speaking, we have to take into consideration two aspects:

- 1- the correlation between production and market and
- 2- the interaction between the single elements of productive forces themselves.

The thesis could be: the extension of markets renders possible higher production; higher production leads to a development of instruments of production and productive forces at all containing, as certainly known, the means of production created by society, and above all, the instruments of labour by means of which physical wealth is created, and the people carrying out the process of production on the basis of a certain degree of production experience. Production is not carried on by an isolated individual. It always has social character. In

the process of production, in the process of producing physical wealth, people whether they like it or not, find themselves in some way or other linked with one another, and the labour of each producer becomes a part of the social labour.

Even in the early stages of history, people had to unite in order to survive, and with the help of the most primitive instruments to obtain the means of subsistence in combat with wild beasts, the elements of nature, a.s.o. With the development of the social division of labour this dependence of some people to others increased. The producers find themselves linked together more and more and in ever growing relationships.

Therefore, when investigating the process of integration, what is nothing but a special expression for ever growing relationships, nothing but steadily increasing and mutual dependence between people in production, we should start researching upon it by considering it, in the early stage, a national matter.

The classical example you would find in Germany. In the early stage of capitalist development, when the level of productive forces was a very low one - relatively considered, of course - she was separated into more than 300 independent states sharply outlined against one another by customs and political borders. Each then German state was forming an independent political unit and an independent customs territory, too. That means, there were existing lots of interior markets of a partly very small scale. At a certain space of time this was coinciding with the character of productive forces. The low level of their development did not require larger markets and the conditions of the existing systems of transportation did not make possible them, on the other hand.

Later on, however, in connection with the development of productive forces, especially in connection with developing railways as an important means of transportation, the 300 local markets became too small for the further and rapid economic development. Customs borders were to be burst, and have been burst making possible the first form of integration. Of course, this process as a revolutionary one, could not happen without any difficulties, the combat of the new against the old is always connected with troubles, that is sure.

Despite the early stage of capitalist economic development the reached degree was a different one within the separate states; referable, first of all, to the different sizes. There were, for instance, relatively large states within Germany containing (in one case) nearly 30% of all the German inhabitants, and others with 1% and even less. Another very important factor against economic unity was given by different political conditions of power within the separate states. There were existing side by side several kings and other feudal sovereigns, no one of which was interested in giving up power in favour of another one, no one was willing to subjugate himself to another.

But the process of historical development is an objective one not possible to be finally stopped, only to be hampered. Thus the decision upon German economic unity could only be put off never, however, put away.

Lastly, therefore, it took its way over certain customs unions, limited political and economic unifications, till finally the uniform German state was established in 1871.

As I mentioned earlier, there is a considerable interaction between enlarging markets and development of production and

productive forces. If you would make yourself the trouble to compare the German rate of industrial growth before and after the unification, you found enormous differences regarding the rapidity of growth.

As mentioned, too, development happens by bounds and leaps. Here, you will find such a leap. Germany, being backward at this time and compared with other European countries of the West, made a big leap forwards catching up with Great Britain, the then leading capitalist country, and France and finally surpassing them due to the law of uneven economic development.

But I mentioned that integration and development of productive forces are mutually related in a twofold regard. The interaction between production and market is only one point of view. The other mentioned point has been the interaction between the single elements of productive forces themselves.

What does that imply?

In this case we have to consider the problem of integration starting with investigating the relation between enterprise and productive force. At the early stage of manufacturing there was a certain equilibrium between instruments of production or instruments of labour and small-scale enterprises (handicrafts, cottages, and small-scale industries). With the development of machineries the scope for applying handicrafts got limited more and more. Handicrafts were replaced by small-scale industries; the breakdown of handicrafts and the rapid development of industrially working enterprises started. At first, in the framework of relatively small-scale enterprises, later on, however, and in accordance with developing productive forces also the scope for small-scale enterprises became limited and they had to

be replaced by large-scale enterprises displacing handicrafts and small-scale industries and limiting them to certain kinds of special production and repairing works especially.

The socialization of production started within the borders of capitalism. Capital, necessary for establishing industries, could not be defrayed any longer by singles. Joint-stock and limited companies came into being socializing production. We don not intend to research here after the special capitalist reasons and levers by means of which this development was caused. We like to state the fact only and to stress that, finally, this development was caused by developing productive forces.

It is scarcely new that the process of socializing production went on and just is going on.

Out of joint-stock companies and other capital formations monopolies have come into being either in form of cartels, syndicates, trusts, or concerns.

In a way, this development can be looked upon as the first stage of international economic integration, since cartels, for instance, and also the other monopolies have not been confined by state borders.

But the difference between this kind of integration and those forms happening today has to be seen in the fact that the former is a direct matter of monopolies (enterprises) themselves, whilst the latter becomes the matter of states. In case of capitalist integration, and there is no doubt, it is monopolies' interest that pushes ahead integration.

And why ?-

As I mentioned, the expenditures for production are getting higher and higher, the profitableness, however, is developing contrarily. The rate of profit tends to fall.

May this be proved by a few figures.

A certain indicator for measuring the development of expenditures for production could be represented by the relation between cost of research work and carried out investment.

In the USA's industry this relation took the following development :

Table: 1

year	investment for new works and outfits (i.Mio..of us-\$)	cost of research defrayed by industry (i.Mio of us-\$)	relation between cost of research and investment
1947	20.612	1.315	6.3 (100)
1950	20.605	1.600	7.8 (123)
1955	28.701	2.400	8.3 (131)
1958	32.074	3.600	11.2 (177)

Stat. Praxis, 10 - 1964, P. 278

Or let us look at some other figures. For instance, at the expenditures of some US-firms for research and development and their relation to net profit in 1961/62.

Table: 2

firm	expenditure for research a. developm ^{nt})		Relation i. %
	net profit (i.mio of us-\$)	(i.mio of us-\$)	
1) Air products	5.7	4.0	70.00
2) Abbot Laboratories	14.8	10.4	70.27
3) Allied Chemical	58.0	22.0	37.93
4) Mosanto	18.4	51.6	62.81
5) Du Pont	304.9	110.0	36.07

The figures of the last table are of interest in a twofold regard :

- 1- expenditures of research and development (as one cost element of production) are already at a high level and they are, as obviously shown by the first table, steadily and rapidly increasing ones,
- 2- the relative share of these costs, related to profit, is the lower, the higher the profit, i.e., the higher productive capacity of the firm concerned.

The cost of research and development are going to surpass step by step, single enterprises' and even monopolies' capabilities. They are more and more taken over by states and they are on the point of requiring bigger and bigger parts of gross national products.

Here you are the figures concerning the USA.

Total expenditures of the USA for research and development and their share in national gross production

Table: 3

year	total expenditures i.bill.\$	share in gross national product %
1956	8.37	2.0
1959	12.43	2.5
1962	15.61	2.8
1963	17.35	3.0
1964*)	19.70	3.2
1965*)	21.25	3.3

*) assessed, source : DFW, 24-1965, P.8

Steadily growing shares are taken over by states. Concerning, for instance, the USA and France, approximately 66%, Great Britain 60%, and West-Germany 50% of the total of expenditures for research and development are being raised by state budget.¹⁾

There is no doubt, little by little these costs are surpassing also smaller countries' capabilities. The drafted picture of table 2 can be transformed or projected to countries. Please imagine, the cost of research and development paid by the USA in 1964 and amounting to almost 20 billions of dollars should be defrayed by West-Germany the budget of which amounted, in the mentioned year, to about 65 billions of marks. The official rate

1) DFW, 24-1954, p.8, according to, Deutscher Bundestag, 4. Wahlperiode, Drucksache IV / 2965, Bod Godesberg 1965, p. 141 f.

of exchange between dollar and mark is like 1:4, i.e. with (recalculated) 80 billions of marks cost of reasearch and development would surpass the state budget by about 25%,

That is the common trend, no matter, at first, what the means are paid for. Generally speaking, we can state, the further development of productive forces requires always higher outlays, on the one hand, and their profitable application requires, on the other, steadily growing scopes of appliance. Moreover, the rapidity or the speed of development has reached a level yet, single countries, and in particular the smaller ones, of course, would not be able to follow it without specializing in certain and most suitable directions, that is to say, countries, and the smaller ones in partitular, are being forced, from the economic point of view, to consider and to make use of international division of labour, the system of which is going to get stronger and closer more and more forming, in such a way, the second necessity for establishing international economic co-operation in form of international economic communities or something like that.

But we would attain wrong results and come to incorrect conclusions, when taking account of the general trend only.

Beside all this, there are to be considered special conditions and modifications of that common trend according to

- different orders of society existing in different countries and
- according to different levels of economic development reached in different countries in general.

3- Peculiarities of International Economic Integration

Please remember the foregoing parts, where I tried to give you an idea upon the general trend for international economic integration and the common reasons responsible for that. Remember my statement that international economic integration is going to be all over the world, no matter what order of society is existing. But remember also my thesis that international economic integration occurs differently, that we have to observe those differences concerning the possibilities to realize the "integration idea", concerning the purpose which leads to integration, and concerning the effectiveness of international integration. In plainer words, development of productive forces is to be looked upon as one reason, if even the main reason, for forming internationally integrated areas. In order to find the other reasons the question must be answered: what is an international co-operation to do?

3.1- International Economic Integration in Capitalist Areas and between Capitalist Countries

Here we have to distinguish between two things:

- a- the officially proclaimed aims and
- b- the real and the possible ones.

From the early stage of integrating endeavours up to the time being it has been proclaimed that the aims of international economic integration consist in:

raising "the standard of living to a satisfactory level without continuing external assistance and without large-scale unemployment. The standard of living was threatened by a series of shortages and by the tendency

to inflation and adverse balance of payments in which these shortages expressed themselves. The first requirement was the expansion of production to the maximum possible extent. Coupled with this were other tasks: to overcome inflation; to break down barriers to trade and work out a satisfactory system of international payments; and to distribute as equitably as possible the scarce resources upon which recovery depended. The main bottlenecks in recovery could all be reduced to dollars, since more dollars meant power over scarce resources, whether in the form of imported materials or in the form of additional capital. It was inevitable, therefore, that the dollar problem should dominate the activities of any international economic organization."

That is quoted from A.K. Cairncross, Factors in Economic Development, London 1962, p. 259. And it is quoted because we get by this statement a comprehensive idea upon the real and the proclaimed aims.

May I be permitted, for making this clear, to repeat and to summarize;

- the proclaimed aims have been:
the raise of people's standard of living and the removal of all the impediments hampering the raise, as there are: inflation, barriers of trade, difficulties concerning international payments, a.s.o. All the measures should be resulting in increasing production for the sake of raising people's standard of living.
- The real aim, however, leaks out from the sentence that the dollar problem should dominate the activities of any international economic organization.

What is meant by the statement, the dollar problem should dominate international economic organizations?

This question becomes clear, when remembering that the first impulse for international economic integration between capitalist countries was given by the United States in the early years after the Second World War¹⁾.

What might have been the reasons that the USA were promoting European economic unification?

In my opinion, there are two reasons more or less related to one another:

- 1- the economic point of view, after the Second World War the American index of production was a rapidly decreasing one; taken 1937 for 100 it reached in 1943 with 212 its highest development so as to drop in the early post-war period to 150 in 1946; at the same time, I mean during the early post-war period, Europe's index of production was far behind that of 1937; in Austria, for instance, it reached 51 in 1947, in France 46 in 1945, in Westgermany 34 in 1946, and in the Netherlands 32 in 1945.

1) March, 30, 1947, a resolution passed the American congress to induce the unification of Europe
April, 23, 1948, Senator Fulbright founded the committee for the unification of Europe; etc. (c.f.W. Wehe, Das Werden Europas, Frankfurt Main, 1955)

Table: 4

Index of Production¹⁾

(1937 = 100)

United States

Year	General	Manufact. Industries	Iron and steel	Machinery
1943	212	228	169	352
1944	208	223	107	348
1945	180	189	149	272
1946	150	157	122	190
1947	165	171	159	219
1948	170	175	169	220

Table: 5

Europe (general index)

	Austria	France	W-Germany ^{x)}	Netherlands
1945	.	46	.	32
1946	.	77	34	75
1947	51	91	40	95
1948	.	104	60	114

x) 1936 = 100

Two facts can be stated

1. The United States' index was a rapidly decreasing one and in spite of this dropping tendency it moved at a relatively high level as compared to Europe's index the level of which was, conditioned by the events of the war, far behind that of 1937.

1) Composed according to:
Un-Statistical Yearbook, 1948, pp. 118

2. by the war destructions a rapid recovery of Europe's industry was made impossible; that on the one hand, on the other, however, and conditioned by the absolute completeness of America's industry, the output of the latter had to be reduced artificially after finishing the conversion from war to peace production. Thus, the Americans took pains to enlarge their outlets; and that, again, in a twofold way

- a- by enlarging outlets for exporting commodities and
- b- by increasing the possibilities for exporting capital. Considering this the deeper sense of the United States' endeavours, we have to think of the fact that the enlargement of outlets (for commodities and capital as well) can only be realized - in the long run - by keeping out Europe's competition. On the other hand, however, it was completely impossible, even for the United States, to prevent Europe's industry from recovery. And if economic recovery or a new economic development must be, so the Americans, then under the supervision of the United States and in close connection to them.

An unified Europe had made this task an easier one. They would have caught the whole Europe at once and they would have shaped, first of all, important preconditions for free capital movement in Europe, what would permit them to move within Europe according to the requirements of competition and to the possibilities of production as well.

It cannot be our task to go deeper into details here. But I spoke about two reasons inducing the States to support European unification. The economic point of view was the one.

2- we have to take into contemplation the military purpose. May I be permitted to quote in this context A.K. Cairncross, a British economist. He writes in his book "Factors in Economic Development", London, 1962, p. 261:

"No longer can one think of aid as a blood-transfusion designed to nurse Western Europe back to Economic Health. Aid is now a subvention by one ally to another; its object is the creation of a larger military potential at an earlier date. The aid that is necessary can once again be assessed only after scrutiny of the programmes of the countries that are members of the alliance. But the programmes that take precedence now are the military programmes, and these programmes cannot be taken as fixed when their adequacy is one of the major points at issue. The twofold problem of ensuring the best and fullest use for purposes of defence of existing manpower and industrial capacity and of securing an equitable sharing of the financial burden is one in which military and economic considerations are closely interwoven."

Thus we can state, under the conditions of modern capitalism and because of the existence of different systems of social order in the world, international integration between capitalist countries is not only a matter of economy, but by international economic integration the economic basis shall be formed for military blocs. That is to say, the one of the capitalist countries being the strongest from the economic and military point of view takes pains so as to make the weaker ones economically dependent preparing in such a way the preconditions for erecting military bases. But nevertheless, the economic development,

i.e. the development of productive forces is and will be main reason for international economic integration. The general tendency, dealt with in the first part, holds true also for capitalist countries.

The military matter is resulting

a- from the contradictions between capitalist countries or groups of countries which cannot be removed in spite of integration; that means, in case of capitalist countries we have to distinguish between economic necessity of integration and practical possibility; the practical possibility is being strengthened by the existence of the socialist camp leading to a certain main contradiction in the scale of the world between socialism and capitalism and oppressing-at least temporarily-contradictions between capitalist countries themselves; oppression does not mean removal; latently they are still existing though; and, therefore, it is being tried by leading imperialist countries to chain up those weaker countries additionally by means of military dependence.

b- the military matter is, furthermore, resulting from the existence of the socialist camp at all and from the desire of the imperialists to destroy this camp; this can be proved by a quotation out of the West German leading economic periodical "DER VOLKSWIRT" (February, 23rd, 1962); there can be learned: "Not at last, the Atlantic economic partnership serves so as to shape preconditions for mastering the political and military tasks set to Europe and the USA commonly. Jointly, there are to be found the economically right means not only worth while striving for from the economic, but

also being necessary from the political and military point of view. Only to call in question the priority of political aims within the Atlantic economic collaboration means to mistake the total foundations of the Western system of collaboration, within of which economic collaboration is only one, if even substantial part."

Summarizingly, we can state, even under capitalist conditions of production, the development of productive forces is main reason for international economic integration. The development of productive forces leads to an aggravation of nationally and internationally existing contradictions which are to be overcome by means of integration. By the everyday practice, however, is shown that those contradictions are insurmountable ones and not possible to be solved, therefore.¹⁾

1) May I remind you of the ECM negotiations concerning agricultural prices which almost led to a dissolution of ECM, or of negotiations dealing with ECM veto in January 1966 which also failed; General de Gaulle insisted upon keeping the veto "to protect each nation's Vital interest." The West Germans, the Belgians and others pushed M. Couve to accept a compromise that would allow rule by majority vote but with some added protection for member interests (c.f.E. Gazette, January, 29, 1966)

3.2- International Economic Integration between Socialist Countries

International economic integration is going to be, as certainly known, in the framework of the Council of Mutual Economic Aid (C.M.E.A.) The C.M.E.A. was set up in 1949 to co-ordinate economic activities of European countries and to promote their economic development.

The general remarks upon international economic integration made at the beginning of this paper hold true for this co-operation, too; that means the development of productive forces and along with this the necessary international division of labour requires urgently international co-ordination.

Directly, however, the C.M.E.A.'s formation had been induced by two factors:

- 1- by the necessity to overcome as quickly as possible economic difficulties in the respective countries caused by the war and the old conditions of general backwardness, relatively low productivity, small industrial capacities, and economic dependence on developed countries, and
- 2- to encounter the European Recovery Programm - known as Marshall Plan - which was to grant US-Aid to European countries with the purpose to make them dependent on US-economy

According to this, the C. M.E.A. has not been thought - from the early beginning - a co-operation of socialist countries only. It was open to all European countries which were on the way to reach pre-war level within the shortest possible time and as

independent nations.

Within the C.M.E.A.'s work there can be distinguished three periods.

The first started in 1949 and lasted up to 1956. In this period all the contracting countries concentrated their activities on the restoration of their national economies. They exceeded pre-war level in production and, at least partially, in productivity in the early fifties. Simultaneously, all contracting countries started international co-operation in the economic fields. They were especially able to do so, since their economic and political systems were principally the same.

In this first stage C.M.E.A - countries were faced with considerable difficulties which prevented them from going on faster in the field of international economic co-operation. Above all, the following difficulties should be termed :

- 1- up to the end of the second world war the most of the contracting countries had been under developed countries with a strong agricultural and a weak industrial sector (Albania, Bulgaria, Hungary, Poland, Rumania),
- 2- up to 1945 there were no remarkable trade relations between the mentioned countries, except the raw material and food supplies to war-time Germany which naturally cannot be defined as real trade relations,
- 3- all the countries had badly suffered from war damages and German occupation.

Thus, in the first period, priority was given to reconstruction of the own national economies in all contracting countries and to development of trade relations between C.M.E.A.-

countries. A new system of international economic exchange of goods and services was set up complementing the basic changes of internal structure of national economies of all member - countries.

During the first period the contracting countries were able to double their industrial production; compared with their pre-war level. Particular attention has been paid to over all industrialization programmes involving high-speed development of heavy industry and engineering.

In the Second period, lasting from 1956 up to 1958, the C.M.E.A. started paying more attention to international cooperation in the field of production. Efforts were made so as to co-ordinate extension of capacities without parallel development. In this connexion, first steps were taken so as to realize a certain specialization between these contracting countries.

For this reason balances had been elaborated showing total sources and uses of products. These balances were to be at the same time a general outline of further development in production. Therefore, recommendations were discussed so as to set up special plans for the development of key-industries by taking into consideration the growing system of international division of labour according to special conditions (natural conditions, etc.) given in the contracting countries.

For realizing this purpose a number of Permanent Commissions¹⁾ has been established the task of which is to adjust the development of the single economic branches.

1) So, for instance, the Permanent Commissions for:
Engineering, Chemical Industry, Coal Industry, Foreign Trade,
Building, Agriculture, Transport, Economic Affairs, etc.

Thus, we can state, in its second period of work the C.M.E.A. succeeded in setting up a new and effective system of specialization and international cooperation of production as far as single products and branches of the contracting countries are concerned.

The third period has been started in 1958. In the course of it the full co-ordination of national economic plans shall be realized.

In 1958 all the C.M.E.A. - countries agreed upon the necessity of establishing an overall system of international division of labour. They could do so, because the conditions were given in 1958 and the system of international division of labour was to be erected according to the economic potentiality, the economic structure, and according to natural conditions of all contracting countries. This system is expected to make economic activities in all the countries concerned more effective, to reach a higher rate of growth, and to strengthen the economic power of all the contracting countries as a whole shaping in such a way the foundation for success in the economic competition with the West.

Simultaneously, it is the aim of this period to remove, in connection with reaching the aims, mentioned above, all the existing differences between C.M.E.A. countries, as far as their economic level is concerned.

This is, and there is no doubt, a more than difficult task, and it goes without saying that it could not yet be finished.

For preparing the implementation, the following facts have to be investigated:

- 1- an analysis of economic conditions of the contracting countries was to be elaborated very meticulously; that is to say, an analysis being able to answer the questions of the reached level of economic development and its actual tendencies,
- 2- studies concerning the national income and its problems must be carried out,
- 3- on the basis of that, principles of international division of labour must be fixed guaranteeing an optimum solution of the tasks, mentioned above (more effectiveness of economic activities within the separate countries higher rate of growth, strengthening of economic power of the totality of C.M.E.A. - countries, etc.),
- 4- the instrumentarium had to be agreed upon; i.e., a uniform methodology of planning for all the contracting countries had to be elaborated.

The third period, now going on, is not only a preparatory period for co-ordinating national economies, but it is being marked by a setting into operation of international projects, erected by means of mutual efforts and performances and benefiting all the participating countries or their economies respectively.

During this period there have been established, for instance:

- 1- a transeuropean pipeline system connecting the Soviet Union's crude oil sources with Poland, the GDR, Hungary, and Czechoslovakia,
- 2- an international high voltage transmission grid started its work connecting Czechoslovakia, the GDR, Poland, and Hungary; it is envisaged to include into this system other C.M.E.A. - countries later on,

- 3- an international electricity distributing center has been established in Prague which is in charge of exchanging power according to the different peak-hours in demand for electricity and in the countries concerned.
- 4- in the delta of the River Danube a common factory is established by the GDR, Czechoslovakia, Rumania, and the Sovjetunion to produce cellulose out of reed.

You can gather from what I have said that there is going to be a real system of international co-operation between European socialist countries and that there is on the way real economic integration, too, attained by a planfully established system of international division of labour.

The main method for doing so will be the international co-ordination of national plans. This, of course, involves the full acknowledgement of nationally independent countries and the equality of rights for all of them, no matter whatsoever their economic or political power will be.

Because of this, there is no international economic plan stipulating what is to be done by the contracting countries. Also the C.M.E.A is not awarded the right of giving binding instructions to any member country. It does, by no means, represent a supra-national planning commission. It acts on a study and discussion basis to find out the best solution of any problem of common development of the countries concerned, which all of them can fully agree with. The same holds true regarding foreign trade relations of contracting countries with non-members. There are neither instruction nor recommendations concerning eventual trading partners, customs tariffs, or something like that.

Frequently, you will find comparisons between the European Common Market and the Council of Mutual Economic Aid made by Western economists. In these comparisons you usually will find the assertion that the E.C.M. represents a world-opened community and that the C.M.E.A. is nothing but an isolated creation of communist countries protecting themselves from foreign economic influence.

Let us look for some examples to sift this assertion.

The practice of the C.M.E.A. has just been explained and we have stated that there are no orders so as to regulate neither intra nor external relations. Participating countries are free in deciding.

But how about the E.C.M.-countries and those being associated with them? - Some few examples only.

From the Association Agreement, item 12, it can be learned that

"... in the interest of a frictionless carrying out of this agreement the contracting parties will mutually inform themselves and consult one another on their trade policy ... These consultations reach up to measures concerning business dealings with third countries, as far as interests of one or several contracting parties could be injured..."

Another example. In December 1962 the ECM - Council of Ministers concluded¹⁾

"In case that one of the associated countries would take measures, appropriate to endanger the friendly relations ... between this country and E.C.M. or one of its member states,

1) Protocoll of the Session of the E.C.M. - Council of Ministers, December, 18, 1962 (translation)

the Council of Ministers will moot the situation and think over measures which can be taken in the framework of the convention."

I do not like to prolong this list. What I wanted to express is that imperialist countries try to realize what they are reproaching socialist countries with.

3.3 International Economic Integration between Developing Countries

There is no better commencement for this paragraph than a quotation from Paul Alpert who writes in his book: "Economic Development";¹⁾

"By the end of the nineteenth century, for which economists consider 1914 to be a convenient date, the industrialized countries of the West had extended their hegemony over nearly the whole world and in particular over all the underdeveloped areas. With the sole exception of Japan, which had recently graduated into the class of industrialized and imperialist powers, all of Asia, the whole of Africa, and the greater part of Latin America were for all practical purposes economic dependencies even if not always political colonies of Western Europe and in some cases also of the United States."

What has been the outcome of this fact?

Because of this economic and political dependence the developed and oppressing countries have had the opportunity to compel the dependencies to cultivate those products needed in the developed country concerned. For this, there are lots of examples, even today. May I remind you of the Portugal's practice against her African colonies, where farmers are forced to plant a certain minimum of coffee in Angola and cotton in Mozambique. They are not only forced to plant those products, but they are also forced to sell them to Portuguese companies at prices not being true to the world market situation, but arbitrarily fixed.

1) P. Alpert, Adjunct Professor of Economic Development, New York University, "Economic Development, Objectives and Methods", The Free Press of Glencoe, Collier - Macmillan Ltd. London 1963, p. 37

by the colonial government and only in favour of the Portuguese companies.

Conditioned by these practices, the economic situation in almost all the developing countries having been dependencies or even colonies for over a long period is nearly the same and can generalizingly be characterized as follows:

- 1) the international "tie downs" of former dependencies to developed countries led to a system of international division of labour which has been to the detriment of the first and is finding its expression in:
 - a- inasmuch as industry is developed it serves as supplier of foreign industry; that is to say, there is no comprehensive industrialization but only supplementary industries have been developed being dependent on the colonizing countries' industry;
 - b- products and exports were, and partially have been, centered in primary products; that means, developing countries are mainly producing raw-materials and foodstuffs;
 - c- these raw-materials are determined to be worked up in the oppressing countries industry; because of this, the greatest part of production was and partially again has been - to be exported; generally speaking, the exported share of developing countries' production is moving round about 50% while that of the USA, for instance, amounts to about 5% only;
 - d- developing countries production and exports are concentrated in a small number of goods; that means, there is a very limited variety of goods;

That is to say, the involve of those countries in the capitalist and international system of division of labour leads to a permanently disproportional development of productive forces and therewith, to a permanently disproportional development of labour productivity to the detriment of developing countries. That means, conditioned by capitalist division of labour a polarization of countries takes place into a small number of highly developed industrial countries, on the one hand, and into a big group of raw material and agrarian suppliers being dependent on the highly industrialized countries, on the other.

By Western economists it is usually asserted that there would be a possibility so as to solve this problem by means of international trade. They consider foreign trade equalizing different levels of economic development.

What is to say to this assertion? First of all, foreign trade will never be able to equalize different levels of economic development. Foreign trade, happening between countries which are marked by considerably big differences concerning the reached level of economic development, will rather deepen existing differences.

May I be permitted to quote Gunnar Myrdal who writes in his book "Economic Theory and Under Developed Regions"¹⁾

"On the international as on the national level trade does not by itself necessarily work for equality. It may, on the contrary, have strong backward effects on the under-developed countries.

1) Gunnar Myrdal, Economic Theory and Under Developed Regions, London 1957, p. 51.

A widening of markets often strengthens in the first instance the rich and progressive countries whose manufacturing industries have the lead and are already fortified by the external economies, while the under-developed countries are in continuous danger of seeing even what they have of industry and in particular, small-scale industry, and handicrafts priced out by cheap imports from the industrial countries, if they do not protect them." And he goes on: "Examples are easy to find of under-developed countries whose entire culture has been impoverished as trading contacts with the outside world have developed."

The following should be mentioned and taken into consideration. The position of developing countries in the capitalist system of world economy is marked by

- their one-sidedly developed productive forces and
- by their deformed economic structure.

Both these features are related to each other, they are resulting from the former dependence on metropolitan countries; that means, they are the results of foreign trade relations, the kind of which were dictated by the metropolitan countries according to economic requirements of the latter.

Gunar Myrdal in his already quoted book has pointed out:¹⁾

"... that the governments of the metropolitan powers, responsible to their parliaments at home and not to the peoples in the dependent territories, were unable to undertake any great sacrifice in order to promote a general and balanced industrial development of their

1) Gunar Myrdal, An International Economy, London 1959, p. 225.

dependencies. However, they did conceive a clear interest in building up economic enclaves there, related to their own economies at home, in promoting and safeguarding their own settlers, and more generally, in trading their dependencies as protected extensions of their home markets for their industry."

The outcomes of such an unbalanced and directly dependent economic development can, as a matter of fact, every -where be observed, even today; and, in particular, they can be observed in the developing Arab countries.

Please, look at the sketches 1 and 2. You will find there reliable figures upon the composition of Arab countries exports reflecting two interesting facts. On the one hand, the monoculture-productions are being reflected. Seven out of ten mentioned Arab countries are even today depending on one key primary product. Kuwait, for instance, with 99% on crude oil, Iraq with nearly 97% on petroleum, the UAR with about 65% on cotton, Libya with approximately 65% on petroleum, Syria with almost 60% on cotton, etc. Other countries, as Jordan, Morocco, and Tunisia are depending on two products, but also primary products as crude materials and foodstuffs. Secondly, it is of interest that an export-import concentration can be observed on a few countries or groups of countries. This becomes especially evident in the case of the Western Arab countries as Algeria, where about 85% of the ex-and imports are being wound up with the E.C.E., Morocco which winds up 60% of imports and 64% of exports with the same group of countries, and in the case of Tunisia with her 75% import and 73% export interlacing with the E.C.E.

Generalizingly expressed, it is furthermore of importance and worth while being mentioned, therefore, that this trend of

Import - Export Structure of Arab Countries

country	main product	Export			mainland or group of countries % from total in 1961 ¹⁾		Import	
		1958	1960	1961			mainland or group of countries % from total in 1961 ¹⁾	
Algeria ²⁾	foodstuffs	57.7	56.6	77.7	France	83.3	France	78.0
					E.C.E.	85.7	E.C.E.	85.2
Iraq	petroleum	92.8	96.6	96.6	Italy	17.4	UK	22.8
					E.C.E.	43.8	E.F.T.A.	22.8
Jordan ²⁾	fertilizers	21.4	33.1	38.0	Syria	19.0	U.S.A.	16.7
	foodstuffs	33.3	42.8	47.6	Asia	67.8	E.C.E.	27.9
Kuwait	crude oil	99.0	99.0	98.0	.	.	.	.
Lebanon	.	.	.	.	S. Arab.	19.9	UK	21.5
					Asia	50.0	E.F.T.A.	27.3
Libya ²⁾	foodstuffs	55.6	54.1	.	UK	40.0	Italy	22.3
	petroleum	.	.	63.0	E.C.E.	39.1	E.C.E.	43.9
Morocco	foodstuffs	23.7	23.1	.	France	35.3	France	47.8
	phosphate	19.6	23.6	23.7	E.C.E.	63.8	E.C.E.	60.0
Saudi Arabia	crude oil	.	.	.	.	.	.	.
				
Sudan	cotton, raw	52.8	50.7	52.8	UK	19.1	UK	26.4
					Asia	35.4	Asia	59.8
Syria	cotton, raw	41.3	42.1	58.7	China	12.3	U.S.A.	16.8
					Asia	42.1	E.C.E.	37.5
Tunisia	olive oil	16.4	25.4	20.9	France	55.0	France	51.4
					E.C.E.	72.9	E.C.E.	75.1
U.A.R.	cotton, raw	66.4	70.5	65.5	U.S.S.R.	15.8	U.S.A.	19.6
					Asia	23.4	E.C.E.	27.2

1) groups in 1959, 2) 1957, 1959, 1961

Source: 1957 - 1960, Basic Information on Afro-Asian Countries, Cairo, 1962, 1961, UN Yearbook of International Trade Statistics, 1961

concentration on single commodities and countries (or groups of countries, respectively) is going on; as to the Arab countries, for instance, in the case of Algeria, Iraq, Jordan, Libya, Morocco, Syria, and Tunisia. The most important exception is given with the UAR.

Here, the share of raw cotton in export could be decreased in between 1962 and 1964 - from 55% to 46.5%, and the share of intermediate and investment goods in imports could be increased during the same period - from 50.8% to 56.9%.¹⁾

The most respectable increase happened in the case of investment goods the share of which could be raised by almost 5% (from 22 to 26.9%) during the mentioned period. But, unfortunately and as mentioned, such a progressive development can, at present, only be observed in the case of the UAR.

Of course, also in other Arab countries the figures are going to be changed, but more slowly than in the case of the UAR and therefore less effective. Look, for instance, at Iraq. In between 1961 and 1964 she changed the share of crude materials in her import from 7.9% to 8.1% and the share of investment goods from 7.2% to 8%²⁾. Or look at Morocco, where crude materials increased, in between 1961 and 1964, too, from 9.6% to 11.2 and investment goods from 13.6% to 14.7%.³⁾

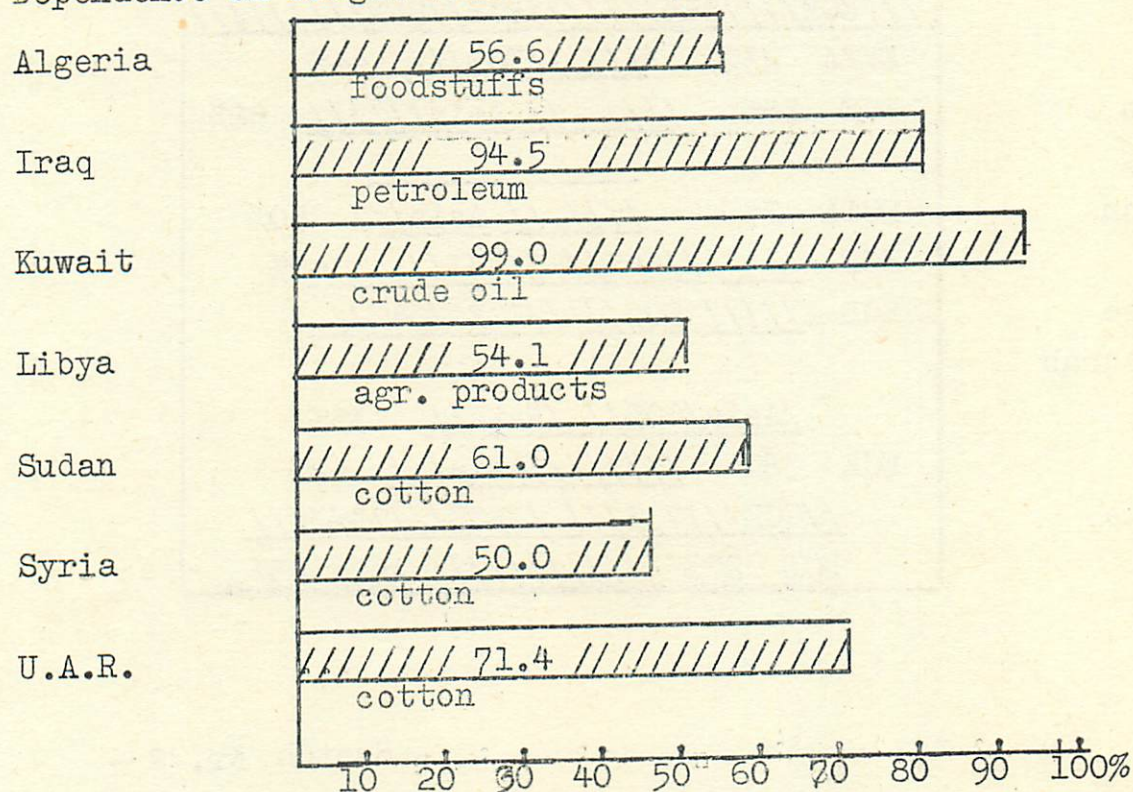
1) figures for 1962, Central Bank of Egypt, Economic Review, 1964
" " 1961 " " " " " " 1964

2) Quaterly Bulletin of the Central Bank of Iraq, January-March 1965, p. 30

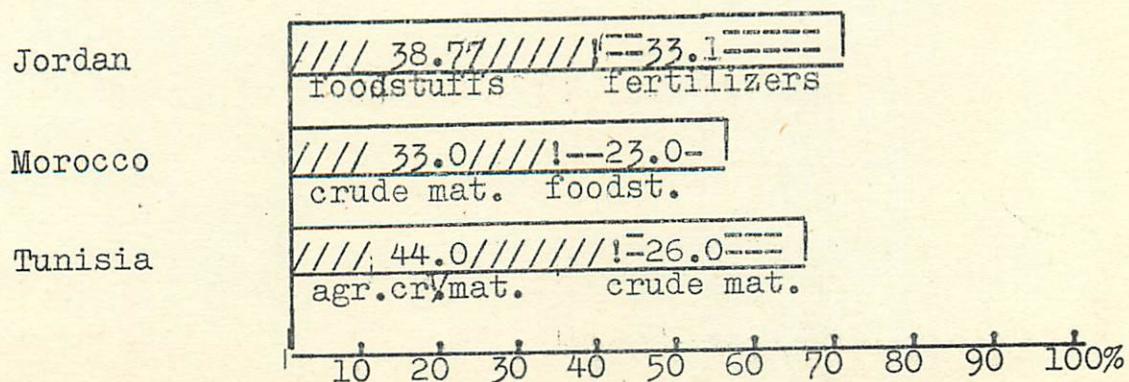
3) 1961, Annuaire Statistique Du Moroc, 1961 p. 120, 1964, Bulletin Mensuel De Statistique, Sept., 1965, p. 13.

Export Concentration on Few Products

Dependence on single commodities (in 1959)



Dependence on two commodities



Regional Export - Import Dependence
(in 1961)

	Import	Export
Algeria	<u>///ECE///85%///ECE//86%///</u>	
Iraq	EFTA 23%	<u>///ECE///</u> 44%
Jordan	ECE 28%	<u>/// // Asia/////</u> 68%
Kuwait		
Lebanon	EFTA 27%	<u>/// // Asia///</u> 50%
Libya	ECE	<u>//44%// // UK//</u> 40%
Morocco	ECE	<u>///// 60%// //ECE /64%//</u>
Saudi Arab		
Sudan		<u>/Asia/60%// /Asia//</u> 35%
Syria	ECE 38%	<u>/////////Asia///</u> 42%
Tunisia		<u>//ECE///75%/// //ECE///73%///</u>
U.A.R.	ECE 27%	<u>///////// Asia</u> 23%

- Sketch Nr. 2 -

Generalizingly, therefore, we are forced to state that, with the exception of the UAR, the one-sided specialization of Arab Countries' production, caused by many decades colonial dependence, could not be overcome up till now.

And, thus, we touch another feature of developing countries' economic situation which holds true for most of the Arab countries, too:

2) the one-sidedly specialized and to a high degree export-oriented economy of developing countries is very much susceptible of motion of prices and highly sensitive to alterations within the structure of goods being traded in world market; because of the one-sidedly specialized productive forces of developing countries (mostly on traditional raw materials, as cotton in the case of some Arab countries) these motions are going at the expense of those developing countries. Especially because of the fact, as developing countries usually are producing traditional raw materials which now are going to be gradually replaced by synthetically produced and, therefore, often cheaper materials (as an outcome of technical progress).

May I be permitted, again, to quote Myrdal who writes in his International Economy:¹⁾

"With individual exceptions, the underdeveloped countries have had rather bad luck in the historical development of international prices of their typical export articles, which have not on the whole, been the dynamic industrial raw materials, essential to modern industrial development. On the rare occasion, when they have had such export articles, as in the case of rubber or nitrates, they have often encountered the discovery of industrial substitutes. There are exceptions of

1) G. Myrdal, An International Economy, London 1959, p. 231.

this : oil is one, uranium may develop into another. But most of the underdeveloped countries are saddled with a basket of traditional export goods like copper, lead, raw silk, tobacco, tea, tin, zinc, and various foodstuffs-the prices of which have been lagging behind."

And Myrdal continues: "This is naturally one of the explanations, though hardly one of the more important ones, why these countries have remained underdeveloped."

With the exception of the "rather bad luck" regarding the historical development of international prices of developing countries' typical export articles, we would agree with Myrdal. But we do not agree with him that this underdevelopment is the result of a mystical "bad luck" regarding the "historical development of international prices".

In our opinion it is the result of the effect of the objective economic laws ruling under capitalist conditions of production and determining the international division of labour under those conditions.

Quite contrary to his explanation is our opinion, when he writes:¹⁾

"On the other hand it is, of course, equally true that it is their underdeveloped status, with all that implies of rigidity and lack of enterprises, that explains why they have been sticking so tenaciously to the bad risks in production and export and not been reorienting their economy and shifting their resources more rapidly to adjust to the changing opportunities."

Myrdal is talking then about the vicious circle of relative stagnation. What shall that mean? Is it really Myrdal's opinion
1)ibid.

that this vicious circle of relative stagnation is the own guilt of underdeveloped countries? Does he really believe the underdeveloped countries guilty for sticking so tenaciously to the bad risks in production and export? Does he think these countries guilty for being underdeveloped? He spoke about the bad luck in the historical development of international prices as one of the less important explanations for being underdeveloped. He did not talk about the most important reasons, at least not directly. Therefore, the question is arising: what are the main reasons? Why have underdeveloped countries not been shifting their resources more rapidly to adjust to the changing opportunities? On another occasion Myrdal states:¹⁾

"The theory of international trade and, indeed, economic theory generally were never worked out to serve the purpose of explaining the reality of economic underdevelopment and development."

Proceeding from this statement he tries to give an idea belonging to such a theory, and finally he says:^{2) 3)}

"... the play of the forces in the market normally tends to increase, rather than to decrease, the inequalities between regions".

That is what I wanted to say. Not mystical reasons should be considered the very causes of economic underdevelopment. Quite the contrary, there are handsome practical reasons resulting from capitalist conditions of production, and resulting from the capitalist system of international division of labour in parti-

1) Myrdal, Economic Theory.... , p. 9.

2) 3) ibid, p. 26, c.f. also p. 51.

cular. Caused by monopolising tendencies within the international and economic relations, caused by economic and, at least partly, political dependence, and finally resulting from these facts and caused by monopolized price dictations a redistribution of values takes place at the expense of developing countries and, simultaneously, in favour of developed countries.

May that be punctuated by some figures.

Table: 6 Development of World Production^{x)}
(1939 = 100)

	1955	1958	1960	1963
primary goods ^{xx)}	136	145	152	167
manufactured goods	226	238	280	327

x) UN, Stat. Yearbook 1964, p. 482, recalculated to 1938 = 100

xx) within this group, crude oil alone from 100 to 443: the share of crude oil amounts to 4.3%.

Table: 7 Development of World Export^{x)}
(1938 = 100)

Export / Volume index	1948	1958	1963
foodstuffs & raw materials	79.5	120	159
fuels	119	244	347
manufactured goods	119	237	350

x) ibid.

Table: 8 Development of World Trade^{x)}
(1938 = 100)

Exports	1948	1958	1963
World	97	175	247
Developed countries	100	196	280
Developing countries	92	135	181
<hr/>			
Imports			
World	99	175	253
Developed countries	92	166	258
Developing countries	122	200	232

x) ibid, p. 483, 484 recalculated to 1938= 100

Table: 9 Development of Developing Countries'
Foreign Trade^{x)}
(according to regions)

total exports	1950	1955	1960	1962
to cap. countries	100	129	150	158
to developing countr.	100	114	119	124
to socialist countr.	100	100	214	267

x) calculated according to absolute figures,
UN - Statistical Yearbook, 1964, p. 500.

Table: 10 Development of Developing Countries'
Foreign Trade^{x)}

(according to groups of commodities and regions)

Exports	1950	1955	1960	1962
<u>foods</u>				
to cap. countries	100	123	128	126
to developing countr.	100	125	126	130
to socialist countr.	-	100	194	366
<u>raw materials</u>				
to cap. countries	100	109	114	112
to developing countr.	100	76	74	68
to socialist countr.	-	100	222	208
<u>manufactured</u>				
to cap. countries	100	147	190	209
to developing countr.	100	123	144	158
to socialist countries	-	100	200	220
<u>Imports</u>				
<u>total imports</u>				
from cap. countr.	100	150	198	198
from developing countr.	100	114	119	124
from socialist countr.	100	172	340	550
<u>machineries</u>				
from cap. countr.	100	162	235	242
from developing countr.	100	112	169	231
from socialist countr.	.	100	310	600

x) Calculated according to UN. Statistical Yearbook, 1964,
p. 500.

Table: 11 The Share of the Regions in Developing
Countries' Foreign Trade^{x)}
(percentage)

	1950	1955	1960	1962
in exports				
capitalist countries	70%	73%	73.5%	73%
developing countries	27%	24.5%	22%	22%
socialist countries	3%	2.5%	4.5%	5%
in imports				
capitalist countries	66.5%	71.5%	75%	72%
developing countries	31.5%	25.7%	21%	21.3%
socialist countries	2%	2.8%	4%	6.7%

x) Calculated according to
 UN-Statistical Yearbook, 1964. p. 500.

Table: 12 The Developing Countries' Balance of Trade
(in bill. of \$)

	1950	1955	1960	1962
with capitalist countries				
exports	13.2	17.1	19.8	20.8
imports	10.7	16.0	21.2	21.1
balance	+ 2.5	+ 1.1	- 1.4	- 0.3
with developing countries				
exports	5.1	5.8	6.0	6.3
imports	5.1	5.8	6.0	6.3
balance	± 0	± 0	± 0	0
with socialist countries				
exports	0.6	0.6	1.2	1.5
imports	0.4	0.6	1.2	2.0
balance	+ 0.2	± 0	0 -	0.5

x) ibid, calculated

Table: 13

Shares in World Trade^{x)}
(percentage)

		1950	1955	1960	1962
cap. countries	exports	60.7%	63.9%	66.4%	67.0%
	imports	65.3%	65.6%	65.2%	66.5%
developing countr.	exports	31.3%	25.9%	21.7%	20.8%
	imports	26.8%	24.7%	22.8%	21.4%
socialist countr.	exports	8.0%	10.2%	11.9%	12.2%
	imports	7.9%	9.7%	12.0%	12.1%

x) *ibid*, p. 497.

Table: 14

Terms of Trade^{x)}

	1950	1955	1960	1962
developed countries	103	99	100	105
developing countries	78	93	100	97

x) *ibid*, p. 498. (terms of trade calculated: unit value index export divided by unit value index imports)

What can be learned out of these tables?

- 1- Taken as basis the year 1938 the production of manufactured goods reached a level of 327 in 1963, the production of primary goods, however, only 167, and that in spite of an increase in the production of crude oil to 443 in the same period; the share of crude oil amounts to 4.3%. That is to say, with the exception of crude oil, primary goods reached an increase of about 55% only. The same fact can be proved by the development of world trade.

... While foodstuffs and raw materials increased to 159 in between 1938 and 1963, manufactured goods could be raised up to 350 during the same period (c.f. table 7). This affects, of course, the development of world trade with regard to the single economic classes, as shown in table 8. Developing countries of today are main producers of primary goods and their exports are mainly formed by these goods.

From this there appears the second feature:

- 2- Since the production of primary goods, because of a relative decrease in demands, is suffering from a relative stagnation, the development of developing countries' exports happens more slowly than that of developed countries. Whereas developed countries raised their exports, in between 1938 and 1963, from 100 to 280, those of developing countries could only be raised by 81% during the same period (c.f. table 8). This, again, leads to a decreasing share of developing countries' exports in world trade. According to the figures of table 13 they lost about one third within 12 years.
- 3- It is of interest to compare the development of trade between capitalist countries and developing countries (c.f. table 9 and 10). While developing countries' exports to capitalist countries increased by 58% in between 1950 and 1962, their imports from capitalist countries increased, during the same period, by nearly 100%. This leads to the fact that developing countries are more and more in debts vis-a-vis capitalist countries. And that all the more, since the terms of trade (c.f. table 14) are developing to the detriment of developing countries.

By these mentioned figures, I think, the present position of developing countries on world market is characterized characterizing, simultaneously, the further possibilities of their economic development in the case of their remaining within the system of capitalist division of labour.

In that case, the developing countries' position will still be impaired more and more. This fact will be caused, above all, by integrating policies realized by the capitalist states. Let us quote, again, G. Myrdal who writes in "An International Economy:"¹⁾

"In the general trend towards autarky in the advanced countries, accentuated as an effect of the cold war, the underdeveloped countries have also to reckon with the probability that even in the future their products will suffer from discrimination in favour of national products or industrial substitutes and that the degree of discrimination might increase.

That is a true and straightforward statement. And true is also the conclusion drawn by U Thant-Secretary General of Un-when opening the world trade conference in Geneva in March 1964 and saying that the regulative forces of the market cannot be given up to themselves, a certain steering, controlling, and planning would be necessary.

But-and that is, in my opinion, the point in question will it, under capitalist conditions of production, implicitly be possible to steer, to control, and to plan the regulative forces of the market? Would that not imply to abandon basic principles of the capitalist mode of production comprising a certain system

1) G. Myrdal, An International Economy, London 1959, P.234.

of distribution? And is not the international division of labour a vital ingredient of this system of distribution? What could be the interest of capitalist countries to change this system of distribution? They are in need of developing countries as extension of their home markets and as extension of their raw material resources. Therefore, I think, the changes which U Thant has spoken about cannot be starting from the advanced capitalist countries, but they must be started by developing countries themselves, and by taking into consideration that their relatively weak position on world market is mainly caused by :

- 1- their one-sidedly developed productive forces,
- 2- their deformed national economy as a result of an economic development depending on another national economy, i.e., on the national economy of the former metropolitan country,
- 3- their high degree of export orientation, on the one hand, and the small variation of goods they are offering there, on the other,
- 4- the high degree of price susceptibility of their foreign trade conditioned by the just mentioned small variation of goods,
- 5- the fact that in many cases developing countries have to look for new outlets and, in this connection, sometimes they are forced to accept terms of trade they never would accept if their position on world market was a stronger one.

What conclusion must be drawn out of these considerations? Of course, an ideal solution of the problem of a dangerous dependence on foreign market would be an organic building up of a national economy marked by a proportional coherence of the single branches, and this must be, therefore, the aim of all

development programmes.

It goes without saying that this aim cannot be realized overnight. On the contrary, it will last a lot of years. But it depends on the applied method, on the way which shall be gone, whether this independence can be reached within a relatively and rather short time, or if it will take many, many years, or if it even never will be attained.

In developing countries main criteria for setting up development programmes should be, therefore:

- 1- aims of development have to be formulated in accordance with natural and socio-economic conditions given in the country concerned,
- 2- existing productive capacities have to be taken into account,
- 3- development programmes have to be so-called center programmes, i.e., there is no possibility for developing national economy at once and in all branches,
- 4- in spite of this, development programmes have to be directed towards a comprehensive and an organic national economic development; there is no contradiction between the third and fourth criteria; what was to be mentioned is that due attention has to be paid to the factor of time (starting point of the single development projects, etc.); in plainer words, the single stages of economic development have to be well adjusted ones, the one has to form preconditions for the following;
- 5- external economic relations, existing and going to be established, have to be scrutinized according to their pertinency to economic development programmes

and they have to be changed, if necessary; external economic relations, from the point of view of developing countries, do no end in being supplier of one or ~~two~~ primary goods ~~for~~ other developed economies; external economic relations mean genuine economic linkage with foreign national economies; they have to serve so as to enlarge markets for domestic production and to provide national economies with those goods necessary for the further development;

- 6- commonly is said that developing countries were in need of capital; I would rather say they are in need of capital goods; and it has to be task of their external economic relations - amongst others, of course - to provide them with these needed capital goods avoiding - as far as possible - a running into debts; this can, in a way, be reached by means of so-called barter trade; of course, including credit facilities concerning the delivered capital goods (if necessary!) . That is to say, credit for imported capital goods should, as far as possible, be repaid by means of those goods produced by means of them. This way of running foreign trade includes, however, or requires the existence of genuine working-divisional relations between contracting countries, on the one hand, and is, on the other, advantageous for both the contracting parties. Regarding developing countries, being receiver of capital goods, the later sale of produced goods can be ensured, ensuring simultaneously a further economic development. Regarding developed and contracting countries, being supplier of capital goods, the possibility is given to specialize their

production programmes according to their special natural conditions and to dispense with production not so profitable for them.

In some developing countries, especially in those of West Africa, attempts are made at reaching economic development by means of joining international economic cooperations of developed capitalist countries.

In my opinion, those attempts are completely wrong. An association between existing international economic cooperations like ECM, or anything like this, can never be an advantageous solution for developing countries. And this because of the following reasons:

- 1- the economic differences between developing countries and advanced capitalist countries are too big for being possible to become bridged over; when speaking of economic differences, I have in mind:
 - level of productivity, skills, and technology,
 - economic structure in general and industrial structure in particular,
 - structure of produced commodities which are to be exported,
 - standard of living, etc.
- 2- differenced in the applied system of managing national economies, and here, especially, because of the system applied in advanced capitalist countries themselves which is, with regard to international economic cooperation or integration, marked by a certain contradiction between form and contents. Concerning the outer form international economic integration

between capitalist countries is a supra - national matter and carried out by states or their governments respectively. Regarding the contents, however, it is a matter of monopolies looking for possibilities to improve the system of division of labour in favour of their own production and neglecting, simultaneously, the aggregate national economic development of their own countries and, of course and in particular, the aggregate national economic development of their contracting countries. All the monopolies are acting from their own point of view. Actual proportions, necessary for economic development, are coming into line with objective proportions accidentally only and subsequently and by means of economic competition. But the starting point for this competition and its conditions are so different between advanced capitalist and developing countries that the results of it must always be in favour of advanced countries' monopolies.

- 3- the demands for production typical goods of developing countries are going to become decreasing ones in advanced capitalist countries; may this additionally be proved by some figures.

Table: 15

Structure of Exports^{x)}

	1938	1955	1960	1963
food and raw materials	43.6	38.1	34.2	32.9
fuel	8.1	10.8	9.8	10.1
manufactured goods	46.4	48.5	54.2	55.1
All commodities ^{xx)}	100%	100%	100%	100%

x) Source: Un-Statistical Yearbook, 1964, p. 482; calculated according to current prices.

xx) Difference means other goods than mentioned ones.

The reasons for this development can be looked for in the following:

- a- the productivity of agricultural goods in highly developed countries is a rapidly increasing one;^{x)}

Table: 16

	1956/57	1962/63
USA	100	111
West Germany	100	120
United Kingdom	100	129

This, again, leads to the fact that the share of foodstuffs and raw materials in the imports of advanced capitalist countries is a considerably decreasing one.

x) Un-Statistical Yearbook, 1964, p. 128.

Table: 17

	1930s	1960
USA	27.3%	23.1%
West Germany	37.4%	23.0%
United Kingdom	44.9%	33.9%

- b- the effectiveness of raw material processing could be improved and will still further be improved; that is to say, out of one unit of raw materials more finished goods can be produced. In other words, standards of raw material use can be reduced.

Table: 18

	1938	1954	Increase
	in bill. of \$ ^{x)}		in %
total commodity production	142.5	552.5	77%
used foodstuffs	44.5	60.0	35%
imported foodstuffs ^{xx)}	4.9	5.5	12%
used raw material	25.4	33.7	33%
imported material ^{xx)}	9.9	9.9	± 0%

Source: Trends in International Trade. A Report by a Panel of Experts. GATT. Geneva, October 1958,

x) 1950 prices

xx) always net imports

c) the production of synthetic materials could considerably be increased replacing in many cases formerly used natural raw materials; by this, the relation between natural and synthetically produced raw materials is changing in favour of the synthetically produced ones.

Table: 19

	1950	1962
natural and synthetic caoutchouc	77:23	49:51
natural and artificial fibres	slight	74:26

d- economic grouping between advanced capitalist countries leads to changes in their foreign trade relations and in a way to the groups' autarky;

Table: 20

Exports from ^{x)}	1948	1955	1960	1963
ECE to ECE	100	330	545	850
ECE to Middle East	100	283	465	495
Middle East to ECE	100	313	386	535
Middle East to Middle East	100	132	148	154

x) calculated according to UN Statistical Yearbook, 1964, pp. 473 - 477.

Estimating these trends of development (especially those mentioned in this table) we have to think of the fact that the increase in exports from the Middle East to ECE is mainly caused by crude oil the demands for which are still increasing ones in advanced capitalist countries; and, as I mentioned above, crude oil and uranium are going to be the two exceptions regarding the development of demands for raw materials.¹⁾

So as to make the picture entirely clear, we should mention that the economic autarky which I have been talking about finds, a.o., its expression in the development of foreign trade in machineries. In 1957, e.g., 55.4 % of the machineries produced in West European countries was exchanged between them.

1) Share of crude oil in some Arab countries exports:

Algeria: from 0.05% to 4.64% in between 1957 and 1959

Iraq: from 92.77% to 96.55% in between 1958 and 1960

Lybia: from nearly 0% to 63% in between 1959 and 1961

In 1961 this share could be raised up to 75.7%. There is no doubt, this fact is resulting from the economic grouping which leads to an increase of intra-group exchanges and which is, simultaneously, discriminating foreign trade with so-called third-countries or non-member states and here in the first instance foreign trade with **developing** countries because of the above mentioned facts.

What conclusion must be drawn in case of developing countries, out of these statements?

In my opinion, the problem of economic development in less developed countries should mainly be solved in the following way.

As mentioned above, developing countries of today are characterized by a strongly marked mono-culture in production and export. This mono-culture is, because of the dominating natural conditions in the several countries and because of the former dependence on different advanced countries, a different one in nearly each of them. Therefore, a close economic collaboration of developing countries or of groups of them being correlated from the regional and economic point of view, in certain cases, as, for instance, regarding the Arab countries, even from the national point of view, would complete the national economies of the separate developing countries, at least to a certain degree, and amend in a way their economic position.

That does not mean, of **course**, that national autarky should be replaced by a certain kind of regional autarky. Under the present conditions of international economic development neither the one nor the other is possible to be realized.

Therefore, I cannot agree to the statement of the commission on Asian and Far Eastern Affairs of the International Chamber of Commerce (CAFEA/ICC) that intra-regional trade would hamper economic development. In their opinion, the main reasons would be represented by:¹⁾

- 1- the lack of complementarity in the economies of the region and the hindrance arising from the economic structure of the countries of the region,
- 2- paucity of free foreign exchange in relation to plans of economic development resulting in stringent import restriction,
- 3- existence of extra-regional preferences due to historical and other factors, and
- 4- other difficulties including the lack of adequate contact among businessmen of the region.

Of course, they are in right when writing "that countries which are predominantly primary producers have much less scope for trade between themselves than the countries processing more diversified economies". But, I think, the larger the number of closely connected developing countries, the smaller the lacks, mentioned in the report, and the larger the scope for trade between themselves, and, in particular, if groups among them are going to be formed, the economic conditions of all of them have strictly to be taken into consideration.

There is another reason which deserves peculiar attention, the paucity of free foreign exchange in relation to plans of economic development.

1) c.f. Report on the XIIth Session of the CAFEL ICC and Asian Bankers Seminar, Teheran, April, 13 - to 17, 1964

All the developing countries are suffering from this paucity.

In the quoted report the Commission of the CAFE/ICC mentions that the growing import needs, largely of development goods, which can only be procured from highly industrialized countries, place a serious limitation on intra-regional orientation of trade. "As a result of these setbacks" so the conclusion of the Commission, "it is but natural that the direction of exports of CAFE-countries should increasingly tend towards the developed countries."¹⁾

In my opinion, four things should be mentioned in this context.

Firstly, as shown by the above mentioned figurative examples, this demand for extending exports to developed countries by means of normal foreign trade relations is a one-sided desire. Trends in world trade are going the other way round.

Secondly, no country - and developing countries in particular - should intend to take the second step before the first. For the sake of assuring their economic independence they have to strengthen at first their economic position. By a further development of their typical kind of production, possible to be reached by deepening the international division of labour within the grouping or region in question, they have to attain, at first, a certain degree of capability of competition on world market regarding their special or typical goods. That means, it must be the aim of developing countries to extent, at first, the volume of export and not its structure.

1) *ibid.*

Regarding the UAR, for instance, that would mean that the existing, and partly highly mechanized, spinning and weaving industry should be pushed forward and priority should be given to this branch of industry.

In this connection a steady improvement of production has to take place from the point of view of:

- increasing labour productivity so as to reduce the value of produced goods, this includes also an increasing production of cotton per feddan without impairing the quality of produced cotton,
- improving the quality of produced goods, especially, improving the quality and structure of exported goods by reaching higher processing stages.

Out of the surplus, earned by exporting cotton textiles of a high quality, the development of related industrial branches should be financed, so as to make cotton industry competitive and flexible.

In other words, it will be impossible to develop all the industrial branches, belonging to an organic national economy, at once. They have to form development centers and to push ahead, during the one period of economic development, the one branch and during another period another one. Even developed and planned national economies have to do so.

Thirdly, there is no doubt, such a procedure calls for a strong collaboration between countries, and, in my opinion, this collaboration can easier be made possible between countries which belong to the same area and which have reached nearly

the same level of economic development. Above all, because of the fact as namely demands for goods produced in those countries, and with the exception of goods of the leading branch, are mainly existing in related countries. But that is only the one problem, if even one of highest importance, for

"... such a cooperation would be of special importance and, indeed, almost a precondition for successful industrialization, namely for industrial goods the economic production of which assumes a larger home market than a single under-developed country can offer, at least until production and consumption generally have much higher levels.¹⁾

The other side of the problem, and considering the leading branches is as follows.

Because of their small variety of goods developing countries are very sensitive regarding price fluctuations on world market and they are more or less depending on price dictations made by economically stronger countries.

1) G. Myrdal, An International Economy, London 1939, p.259

This sensitivity can, at least, be reduced by international cooperation of developing countries, too, for they are widening by means of that cooperation the scale of their offered goods.

Let us look, for instance, at the Arab countries. Separately, all of them are depending - in case of foreign trade on one or two main commodities. Looked upon as a whole, however, their variety becomes broader fastening their economic position on world market.

country	main commodities or products	trends to:
Algeria	agricultural goods, espec. Wines (50%)	iron ore and petroleum
Iraq	petroleum (96%)	-
Jordan	agricultural goods (43%) crude fertilizers (33%)	-
Kuwait	crude oil (98%)	-
Lebanon	agricultural goods, espec. fruits(22%)	-
Libya	crude oil (63%)	-
Morocco	phosphates (25%)	-
Saudi Arabia	crude oil (98%)	fruits, oil refinery, can- ning industry
Sudan	cotton (50%)	gum arabic
Syria	cotton (45%)	cotton yarn and thread
Tunisia	agricultural goods, espec. olive oil (26%) and wine	phosphate and phosphatic fer- tilizers.
UAR	cotton (50%)	cotton products, textiles, crude oil, benzine and kerosene, diesel oil.

As it can be seen, the existing economic structures of Arab countries are in a way completing each other. Especially, they are making, in case of an unification, Arab countries stronger partners in foreign trade with developed countries, and that because of the broader scale or variety of goods by means of which they are made more insensitive to price fluctuations and changes in demands.

Fourthly, collaboration should not end in collaboration between developing countries themselves. That is to say, foreign trade relations between developing and other countries should be widened and turned, therewith, into real external economic relations, what means more than foreign trade relations. In case of foreign trade relations completely independent national economies are contracting with each other and they are exchanging surpluses and deficits. The choice of partners is more or less an arbitrary matter influenced by terms of trade and other trading principles (most favoured nation clause, etc.) In case of external economic relations, however, countries dispense, at least partly, with completeness of their national economies and the national economic development of both the partners (or even more) happens well adjusted. There is no doubt, external economic relations, as an expression of arising working divisional relations, lead to a certain dependence, at least from the economic point of view. But this kind of dependency, coming into being in realizing external economic relations, is a special kind of dependency, impossible to be compared with the today's usage of the word.

Economic dependency, arising when establishing external economic relations, is a dependency marked by mutual benefit for both the contracting partners promoting national economic development of both of them by making use of international division of

labour without neglecting a sound organic, and comprehensive national economic development.

What is the meaning of this?

Above, I have mentioned and proved by figures that economic dependence between so-called metropolitan countries and dependencies led, in the dependencies, to deformed national economies in the result of which mono-cultures and the production of foodstuffs and primary goods are earmarking dependencies' economies. International division of labour between countries having equal rights and the economic dependence coming into being in connection with it must be understood as collaboration between countries the national economies of which have been developed comprehensively or are going to be comprehensively developed, and complex national economic development means the establishment of a multi-branch structure forming an organic unit of industry and agriculture, primary goods and processing branches, investment goods and consumer goods production.

But, and that is the deeper sense of external economic relations, under the present circumstances of the worldwide technical revolution, conditioned by the objective process of development of productive forces, it would be highly inexpedient, if not even impossible, for every country to develop all branches of industry comprehensively and to produce all or almost all products. The ever growing international division of labour offers, on the one hand, all countries the possibility of most favourable exchange of goods, and, on the other, the possibility of specialization of production. Thereby, the separate countries are getting the possibility to concentrate themselves on such products the conditions for which are give best in the country concerned.

That means, the key for solving the problem of economic development lies in erecting close external economic relations which have to be of mutual benefit for all contracting national economies, which have to connect them organically making them mutually depending, and which guarantee by means or even in spite of specialization, realized according to most favourable national and natural conditions of production, a comprehensive national economic development including or comprising:

- a- optimum utilization of local mineral deposits and other crude or raw materials,
- b- development of the respective branches of industry together with those branches being basis for technical progress (engineering, chemical industry, power, and transportation),
- c- national development of construction industries, including construction materials,
- d- national development of light and food industries in order to process local sources and thus to cover a high percentage of national demands without imports. This implies a proportional development of agriculture,
- e- national development of a modern system of communication,
- j- full employment of population in working age, and finally,
- g- steady increase of people's standard of living by means of increasing individual as well as social consumption.

These are, in my opinion, the main criteria which have to be taken into account and which have to be main aims of international cooperation or even integration. These aims are bound to be reached by the separate contracting countries as well as

by the group as a whole. The materialization of these aims presumes, however, a collaboration of contracting countries true to plans, and since not only separate enterprises or industries are concerned, but national economies as a whole, such a close collaboration of national economies, presuming and resulting in well-adjusted development programmes of contracting partners, can only happen between national economies being centrally planned. Countries collaborating in such a way have to have the possibility of relying on each other, that is to say, such a close collaboration and national economic adjustment has to be made sure by state guaranties.

But here we have to distinguish between state guaranties concerning the observance of certain detail measures fixed by the treaty, as, for instance, with a view to reducing customs tariffs, abolishing quantitative restrictions of trade, and state guaranties directed to adjusting national economic development.

The firstly mentioned guaranties are contents of the treaties founding, for instance, the European Common Market and other economic communities of the West. National economic development and therewith the formation of an international system of division of labour is, according to these treaties, a matter of economic competition only, not to be influenced by state agreements and contractual measures. And there is no doubt, I think, such a free interplay of forces may be pertinent to equally or at least almost equally developed countries, never, however, will it be fit for connecting national economies marked by considerably different levels of economic development, unless, of course, this connexion shall be in favour of the developed national economy only. And without taking into consideration different levels of economic développement, this way

of running international economic integration causes lots of trouble and leads to wasting time and money hampering, therefore, economic progress in all the contracting countries, especially, of course, in those being more behind.

For avoiding these losses we are in need of special measures directing economic development from the very beginning, and this all the more in cases of connecting national economies being marked by different levels of development. Special measures, however, being beyond the free interplay of economic forces, can only be applied in case of centrally planned economies the general management of which is the matter of state authorities taking care of a proportional economic development from the national and the international point of view as well.

4- Concluding remarks

When taking into consideration the above made analysis the advantages of an Arab Common Market or even of an Arab Economic Community are becoming obvious.

National economic policies could be replaced by an Arab economic policy the aggregate Arabic economic potentials could be used jointly for implementing a supra-state, but national, Arabic planning of development ensuring, step by step, increasing standards of living in all Arab countries.

At the present time, it must be recognized that considerable efforts are being made so as to bring about the Arab Common Market.

The participating countries agreed upon the necessity of forming an economic community taking into consideration 4 points mainly:

- 1) World economy's tendency towards integration, which emphasised the necessity for developing countries to pool their economic potentials and bolster their cooperation of an economic and commercial nature to face such blocs,
- 2) To open up more markets for Arab states' products, thereby enabling them to set up more industries for the sake of better living standards,
- 3) The Arab states, being first and foremost among the world's developing countries to start efforts towards the creation of a common market, the 1952 Agreement on Exchange and Transit Facilities is deemed an early attempt on their part in this direction, have now to draw up a comprehensive and thoroughly studied plan for economic and commercial cooperation. This should more appropriately be applied in stages with the regard to the local circumstances of each member state. While thus serving the best interest of all countries involved, the plan would not encroach on the economic sovereignty of any of them,
- 4) The further consolidation of Arab economy might well turn out to be one of the most deadly weapons against imperialist stooge, Isreal, through more tightened boycott, and the frustration of colonialist attempts to use Isreal as an economic warhead in developing states, particularly of Africa.

These are, according to MEN from November, 20, 1965, the principal points all the Arab countries have agreed upon,

especially those having created the last agreement upon Arab Common Market, that are: Iraq, Jordan, Kuwait, Syria, and the UAR.

But, unfortunately and in spite of agreements and coincidence of views, up to now Arab Common Market could not yet fully be realized.

What are the main reasons for this protraction?

In general we have to mention three obstacles:

- 1) partly considerable differences of the level of productive forces of the separate Arab national economies,
- 2) different distribution of natural wealth,
- 3) different ways of thinking in the separate countries.

The last fact, conditioned by the historical development of Arab States, is, in my opinion, the most important one.

Different historical development led to a national thinking confined by state borders and not by national borders. It led to different social orders and, connected with this, to different forms of government, and it led, finally, to different international ties, and that from the economic as well as political point of view.

But in spite of these existing differences, there are handsome reasons being fundamental for overcoming these differences or obstacles.

First of all, the consciousness of national congruity has to be reanimated. People have to be made conscious that all of them are belonging to the same, the great Arab

nation facing the same fate, the same enemies, the same friends and, indeed, struggle against imperialism, colonialism, neocolonialism, and zionism, from the political point of view, and against economic backwardness, against poverty and low standard of living, from the economic point of view, are facts making Arab people one. They have to become well aware of the fact that it is unity that makes people strong. They have to think of the fact that an economic community disposing of not less than 60 % of the world's petroleum reserves, controlling main roads of world trade, and connecting three continents would be a factor all the other countries and economic groupings have to reckon with.