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USSR Report

INTERNATIONAL ECONOMIC RELATIONS

(FOUO 3/80)



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USSR-CEMA TRADE

CONVERGENCE AS A PRINCIPLE OF DEVELOPMENT OF SOCIALIST COUNTRIES

Moscow VOPROSY EKONOMIKI in Russian No 5, May 80 pp 83-93

[Article by I. Dudinskiy: "Convergence as a Principle of Development of Socialist Countries"]

[Text] The communist and worker parties of the countries of the socialist community concentrate enormous attention on study of the laws of social development and their use in the practical work of building socialism and communism. This affords a basis for identifying the long-run trends of social development and lays a solid scientific foundation for sociopolitical policy, causing them to be highly effective and in accord with contemporary needs.

One of the important theoretical propositions advanced in recent years by congresses of the fraternal parties is the conclusion of the objective rule of gradual, multifaceted convergence of the socialist countries. L. I. Brezhnev's speech at the 25th CPSU Congress contains the essential features of this rule. Summarizing the historical experience of development of the world socialist system as a community of sovereign socialist states, L. I. Brezhnev formulated and substantiated the rule in the following words: "Along with the flourishing of each socialist nation and reinforcement of the sovereignty of the socialist states, their interrelationships are becoming closer and closer, an increasingly large number of common elements are appearing in their policies, economies, and social life, and their levels of development are gradually evening out. This process of gradual convergence of the socialist countries is manifesting itself today in the fully definitive form of a rule [Zakonomernost']."

The materials from the congresses and statements by leaders of the fraternal parties point out that the cooperation of the socialist countries, based on common ideas, goals, and interests, brings the peoples who are creating new societies ever closer. There is an indestructible link between the problems advanced within the country, above all the problems of building a developed socialist society, and furtherance

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of multifaceted international actions by the fraternal countries. Their basic policy directions, based on common rules of socialism and corresponding to the developmental needs of socialist economic integration and the desire to strengthen the ideological and political unity of the socialist countries, are increasingly similar. Various documents emphasize that mutual cooperation is essential for all the socialist countries. Relying on multifaceted aid from the USSR and the other socialist states, countries that were formerly economically backward have an opportunity to develop at an accelerated pace and enter upon the path of communist building more or less at the same time.

The problem of the convergence of the socialist countries is reflected in studies by scientists of the CEMA countries. Their published works and international discussions emphasize that the gradual convergence of the socialist countries expresses the most characteristic feature of development of the socialist community which arises only in a certain stage of maturity of this system, has a comprehensive character, and synthesizes the results of the action of several other rules.

In the most general form, the rule of gradual convergence of the socialist countries hinges on the interaction of the following processes:

- The growing uniformity in social, economic, and political development of the socialist countries, the growing similarity of their national economic, social, and political structures, including gradual evening out of their levels of economic development. On this basis the common elements in the politics, economics, and social life of the fraternal countries are becoming stronger, each socialist nation is flourishing, and the sovereignty of the socialist states is being reinforced;
- The steadily growing international interaction of the socialist countries in all spheres of social life, including the development and deepening of socialist economic integration, political cooperation among the fraternal countries, and their ties in the areas of ideology and culture.

As a result of the development of these two processes, new features are accumulating, objective in nature, illustrating the growing integration of the world socialist system as a voluntary fraternal community of sovereign socialist states joined by a common system, common ideology, and common ultimate goals of social development. Thus, resources are increasingly used jointly to accomplish coordinated common goals, a coordinated foreign policy is followed, and more

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common goals, a coordinated foreign policy is followed, and more common characteristics are forming in the socialist way of life.

The rule of gradual convergence of the socialist countries operates on three levels at the same time: on the level of individual countries; on the level of their mutual relations; and finally, at the level of the world system as a growing socioeconomic and political community of sovereign socialist states. The last level reflects and fixes the most important results achieved in the first two levels and at the same time promotes intensification of the convergence process between countries and in the community as a whole.

Naturally, the problems being handled by the socialist countries in the areas of domestic and foreign policy are also increasingly similar. For example, the socialist countries have many common traits in their steps toward socioeconomic development. The main goal is steady growth in the well-being of the working people and creating all necessary conditions for the development of the creative capabilities of members of socialist society. In the area of economics, the policy of intensive growth in public production, raising the efficiency and quality of all economic activity, and stepping up the rate of scientific-technical progress and labor productivity has been adopted.

The social programs being carried out by the fraternal countries in the current five-year plan aim at multifaceted solutions to such problems as improving working conditions and strengthening the creative principle in work, a continuing increase in personal income and consumption, carrying out housing construction and development of the service sphere on a large scale, raising the educational level and quality of worker training, and improving medical care and social security.

Another challenge, typical for developed socialism, that unites the fraternal countries is implementation of a policy of consistently expanding socialist democracy. As socialist statehood is refined conditions become increasingly good for active involvement by the masses in the work of governmental and control agencies, management of production and distribution, social and cultural policy, and operating the legal system. Mutual exchange of experience plays an important part in accomplishing these tasks. For example, particular features characteristic of the constitutions of the fraternal countries were reflected in one form or another in the USSR Constitution, just as their constitutions earlier had drawn on previous Soviet legal experience.

The communist and worker parties of all the countries of the socialist community constantly focus attention on problems related to further development of mutual cooperation and expanding socialist economic integration. The process of convergence of the fraternal countries is stimulated by consistent democratization of the activities of the Council of Economic Mutual Assistance and unwavering compliance with the

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principle of voluntarism when each country is deciding whether to participate in particular cooperative steps. This approach insures an efficient merging of the interests of particular countries and development of joint decisions; it actively encourages the fraternal countries to deepen their mutual economic ties. The organization of all other spheres of mutual cooperation is being refined in a similar direction. The socialist countries advocate a whole range of causes in the international arena, mainly world peace. The countries of the socialist community are working together to strengthen their alliance with the international communist and worker movement and with the international struggle against imperialism and neocolonialism and for national independence and profound socioeconomic changes.

Thus, the multifaceted convergence of the socialist countries appears as a dialectical unity of the process of intensified economic, spiritual, political, and ideological community among the peoples of the socialist countries and the process of international interaction among the socialist states in all spheres of social life and at all levels of organizational structures.

The convergence of the fraternal countries is the most distinctive feature in the development of the entire socialist community. It is taking place within the framework of the general process of building socialism and communism and is of great historical significance. The convergence of the socialist countries manifested itself fully as a rule in the period when the majority of the socialist countries were making the transition to building a developed socialist society and furthering their economic integration. The interrelationship of the two factors mentioned above, which represent qualitative changes in the internal development of the fraternal countries and in the system of their interrelations, make their process of convergence multifaceted and give it a stable, irreversible character.

It is certain that in the future the direction of the basic trends of development of the socialist community will intensify the action of the rule of gradual multifaceted convergence of the socialist state. In the first place, the common features in socioeconomic development of the socialist countries will grow. During the building of a mature socialist society the convergence of socioeconomic structures in the socialist countries takes place at an accelerated pace and the common principles in structure and methods of functioning of their economic and political mechanisms are intensified. In the second place, the international interaction of the fraternal countries in all spheres of social life will deepen and their role in the socioeconomic and political development of the individual countries and the community as a whole will increase. The further development of economic integration and political consolidation of the fraternal countries will continue in the future to strengthen the socialist community as a new type of international alliance.

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The convergence of the socialist states is the most important process taking place in the contemporary world. It reflects the most progressive unification trend, a trend whose comprehensive development became possible only under conditions of socialism. The fact that this aspect of the process of convergence has not been adequately treated in scientific literature makes it particularly urgent to disclose the profound link between this process and the most general process of consolidation, socialist collectivization of production and labor.

The classical works of Marxism-Leninism view collectivization of production as a world historical process which operates simultaneously in two interrelated spheres (or levels), within particular countries and on a world scale. They show that where social production is more highly developed and social development has attained greater maturity, the interdependence between the two spheres of the process of collectivization will be stronger and this process will be more highly integrated. "The interrelations between different nations," Marx and Engels wrote, "depend on the extent to which each of the nations has developed its own productive forces, division of labor, and internal interaction."¹

According to the doctrine of the founders of Marxism, each step in the historical development of the human race has also signified an expansion of international interaction. Only under conditions of capitalism, however, does the process of international interaction assume the character of a definite rule. This results from the principal characteristic of the development of productive forces under capitalism: the appearance and rapid growth of large-scale machine production, which from the very beginning acted as an international force. Marx and Engels noted that the very nature of large-scale machine production contains the potential for the appearance of close economic ties among people, that large-scale industry "created the means of communication and modern world market. It subordinated trade to itself. It created world history for the first time, because it made satisfying the needs of each civilized country and each individual in it dependent on the entire world and because it eradicated the earlier, naturally developed isolation of particular countries."²

The new stage in the development of capitalism, that is, imperialism, was marked by a number of important new phenomena in the internationalization of economic life. The chief one was the domination by monopolies, not only within particular countries but also within the system of their economic ties. "The establishment of cartels in production and international economic life," V. I. Lenin stressed, "attained significant scale."³ The export of capital, including export in the form of direct production investment, assumed large scope and the monopolies divided the world into spheres of influence. Multinational corporations formed rapidly and international economic alliances took shape.

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The analysis of economic, political, and intellectual life under capitalism given by the classics of Marxism-Leninism reveals the profound conflicts inherent in this process. Collectivization within national economies comes into acute conflict with collectivization on the international level. This occurs especially vividly under conditions of imperialism when "reactionary, imperialist international financial capital took the place of national liberation capital."⁴ The economic convergence of the capitalist states is accomplished in antagonistic forms, because the motivation of this conversion for each country is the pursuit of excess profit, sources of raw materials, and markets for the country's own bourgeoisie and monopolies through exploitation and oppression of other countries.

Capitalist internationalization is linked to colonialism, wars, national oppression, and enslavement of weaker countries by stronger ones; it takes the contradictions of capitalism into the world arena. The sphere of action of the contradictions of capitalism broadens and they become more acute. Therefore, the internationalization of economic life, a process which is profoundly progressive in essence, cannot reach its logical conclusion under capitalism. Lenin pointed out that "There is no question that before a single world trust is formed, an 'ultraimperialistic' world association of national financial capital, imperialism must burst apart. Capitalism will become its opposite."⁵

Indeed, the Great October Socialist Revolution, by removing the enormous Russian state from the capitalist system, marked the beginning of the decline of the world capitalist economy. Evidence of the continuing decline of this economy as a process which is irreversible can be seen in the appearance and progress of the world socialist economy whose steady advance is being carried out on the basis of fundamentally different laws of social development.

Marx and Lenin began from the idea that it is socialism that will complete the world historical trend toward internationalization of production and all social life. In the long run this will mean the elimination of barriers between nations and states. Lenin pointed out that, "Even under capitalism all economic, political, and intellectual life in the world is becoming increasingly international. Socialism will internationalize it in full."⁶

The classics of Marxism-Leninism linked the characteristics and prospects of the process of internationalization under socialist conditions with the world historical mission of the working class above all. This class is the most consistent social spokesman of internationalism and it is capable of unifying the national interests of particular countries with their international interests, overcoming national isolation on this basis, and carrying the process of internationalization through to its conclusion.

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The essential prerequisites of the process of socialist internationalization, Marx and Lenin observed, are social liberation of the working people, elimination of exploitation relations, and the firm establishment of socialist social relations. To the extent that exploitation of one individual by another is eliminated, Marx and Engels wrote, "the exploitation of one nation by another will also be eliminated. Class antagonism within nations will disappear along with hostile relations among nations."⁷

The socialist revolution, which eliminates social antagonisms and establishes a new social order, not only creates conditions for free development of internationalization, but also makes this process a conscious, planned one and raises it to a fundamentally different level. Growth in the scale of production and expansion of socialist division of labor, furtherance of specialization, cooperation, concentration, and collaboration in production, and improvements in labor organization and the management of economic processes are real manifestations of the collectivization process. Collectivization directly involves both productive forces and production relationships, and has a significant impact on many elements of the superstructure.

The most characteristic feature of the process of collectivization under socialism is an increase in the degree of maturity of the directly public nature of labor in each socialist country and the gradual development of its characteristics in the international sphere. These processes reflect collectivist relations among the producers of the socialist community, which indicates their profound interrelationships with the process of convergence.

It is entirely natural, therefore, that the breadth and intensity of the process of convergence are determined first of all by the dominance of social production relations. At the present time the socialist sector provides almost all industrial output in the countries of the socialist community. In most of the fraternal countries this sector produces 90 percent and more of gross agricultural output. It owns wholesale and virtually all retail trade, as well as all foreign trade. State ownership as the highest form of socialist ownership in the contemporary phase occupies a leading place in the fraternal countries. Cooperative ownership is being steadily refined. Within the framework of agroindustrial integration it is becoming increasingly similar to state ownership.

A historic achievement of the socialist community is overcoming the economic backwardness and structural disproportion of the economies of many fraternal countries. These things were a consequence of the international capitalist division of labor. "In a historically short period of time, the fundamental differences in level of economic development among the European CEMA countries have been

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eliminated. Today they have sophisticated socialist industry and large-scale agricultural production."⁸

This is the social setting, common to all the countries, against which the significant convergence in parameters of economic development has taken place. For example, in recent years the countries of the socialist community have become much closer in terms of per capita national income and industrial output. Rough calculations show that between 1950 and 1977 the ratio in levels of national income per capita (between the countries with the highest and lowest indicators within the socialist community) decreased from 3.2 to 1.3, while the corresponding change for production of industrial output was from a factor of five to 1.7.⁹

Taking advantage of the new socialist order, including the possibility of mutual cooperation, the less industrially developed countries made a significant advance and drew close to the level of the more highly developed socialist states. Between 1951 and 1978, for example, industrial production in Bulgaria increased 22 times and in Romania 29 times as compared to the average of 13 times for all the CEMA countries.¹⁰

Modernization of national economic structures is an important aspect of convergence. Faster growth of industrial production compared to other economic sectors is characteristic of all the countries of the socialist community, and this has led to a significant increase in the share of industry in production of national income. At the present time the share of industry and construction in national income produced in most of the CEMA countries exceeds 60 percent. In Mongolia, which had virtually no industrial base of its own 15-17 years ago, the level of industry in national income reached 32 percent in 1978.¹¹

Within the industry of the fraternal countries, those sectors that determine technical progress in the whole economy are developing most rapidly: machine building, electronics, and the chemical industry. Thus, the share of machine building and metalworking in gross industrial output rose during the period 1950-1978 from nine to 28 percent in Bulgaria, from 21 to 31 percent in Hungary, from 22 to 33 percent in East Germany, from eight to 34 percent in Poland, from 13 to 33 percent in Romania, and from 14 to 30 percent in Czechoslovakia.¹² As a result, all of the European CEMA countries have highly developed machine building sectors. The CEMA countries are much closer in terms of degree of development of the chemical industry and power systems.

These data indicate that while preserving differences in economic structures resulting from the natural geographic conditions and labor resources of each country, multisectorial national production complexes

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are forming that mutually supplement one another and interact vigorously. By the same token this shows the possibility in principle of avoiding the division of CEMA countries into agrarian and industrial, which under capitalism serves as a cover for exploitation by the highly developed industrial countries which have highly efficient economic structures of the industrially backward countries with inefficient economic structures, preventing the latter from acting as equal partners in relations with the developed capitalist countries.

The general trend in development of the economies of the CEMA countries shows a gradual convergence of the growth rates of subdivisions I and II of public production by increasing the growth rate of production of the means of production. This reflects one of the important manifestations of the general tendency of the socialist countries to insure fuller satisfaction of the growing material and non-material needs of the working people.

Socialist collectivization is carried out directly in the sphere of material production, but it is not limited to that sphere. Changes in productive forces in the system of production relations lead to corresponding changes in other spheres of social life. This principle applies both to individual countries and to the entire socialist community. Progressive changes are taking place in the class structure of society within each country on the basis of the processes of integrating the two forms of socialist ownership. With the growth of industrial integration, cooperation among economic units, conversion of agricultural labor into a variation of industrial labor, and the rise in general sophistication the cooperative peasantry is increasingly similar to the working class. The progressive elimination of dividing lines between the working class, kolkhoz peasants, and intelligentsia and their growing alliance, with the working class in the leading role, are defined in the USSR Constitution as the social foundation of an all-people's socialist state.

At the same time, within the framework of multinational states the socialist nations are flourishing and converging. Bringing republics and other national governmental units that were formerly backward in an economic, social, and cultural sense up to the level of the more highly developed ones is an essential condition of these inter-related processes. The resources of all the national republics within the national economy are combined into a single whole unit, which accelerates progress for each of the components. Within the framework of such a complex the economic convergence of nations and peoples results not just from the social nature of ownership and the new order, but also from the demands of progressive development of the national economic complex itself, refining its sectorial and regional structure, and building up its strength. Each national republic is organically included within the state system of division of labor and specialization and cooperation of production.

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The process of collectivization in the sphere of international interaction among the socialist countries has its own specific characteristics. These result primarily from the existence of national and state ownership of the implements and means of production and, as a consequence, the separate operation of national reproduction processes. In this case the economic cooperation of the socialist countries under contemporary conditions and in the foreseeable future will not erode the national state form of public ownership of the means and implements of production because the economic, social, and political factors resulting from the national state organization of social life continue to be operative in the world socialist system. The communist and worker parties take these factors into full account in their own domestic and foreign policy. In the sphere of mutual cooperation among the fraternal countries, therefore, it becomes a matter of "harmonious national and international coordination of social forms of production," as was foreseen by the founders of Marxism.¹³ Socialist economic integration, the Comprehensive Program of CEMA, and all the joint, planned activities of the fraternal countries reflect this coordination of social forms of production described by Marx in application to the conditions of the contemporary phase. It follows from this that any allegations by our ideological enemies concerning so-called "supernational" and even "coerced" relations among countries in the world socialist system are unfounded.

In the absence of a single international form of ownership, the international planning principle, which is already the determining form of relationship between the national economic complexes of the particular countries, increasingly encompasses the sectors that are interacting in the process of cooperation and indirectly affects national economies as whole organisms. But the forms and methods of interstate planning differ substantially from intrastate ones. In the international sphere, of course, there is no one center of planned management, and the planning principle is implemented by different forms of joint planning activity based on working out coordinated decisions. It is necessary here to take account of a number of factors that make for definite differences in the economic interests of the socialist countries, among which are different degrees of maturity of socialism, levels of economic development, and availability of natural resources. This makes it necessary to coordinate the national state interests of the socialist countries as a prerequisite for fruitful development of mutual economic cooperation.

The relative isolation of national economic complexes, however, and the definite differences in state interests that this engenders exist within the framework of a larger unity of fundamental, vital interests of the socialist countries, and this defines the principal distinctive characteristics of the process of internationalization of the economic life of the fraternal countries: the process of socialist collectivization, reaching beyond national boundaries of the particular states.

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With respect to the cooperation of the fraternal countries as an integrated economic system, this means that the socioeconomic goals of mutual division of labor within its framework coincide with the objectives of cooperation within the economic system, but they are not achieved directly as would be the case within the national economy. Rather they are mediated by forms of international cooperation based on interstate coordination of current and long-range goals of cooperation, forms and methods, and scale of implementation. It is entirely natural, therefore, that as the international socialist division of labor develops and deepens, it increasingly acquires the features of international socialist cooperation of social labor characterized by planned, increasing interdependence among the national economic complexes of the particular countries.¹⁴

The steadily growing interdependence of these complexes is evidenced by the fact that mutual trade among the CEMA countries increased almost 23 times between 1950 and 1978 while gross national income in the same period rose 7.6 times and gross industrial output increased 12 times.¹⁵ Such rapid growth in mutual trade, significantly surpassing the growth rate of physical production, confirms the stability of the large-scale production ties in the key sectors of industry in the fraternal countries, in particular between the iron ore base of the USSR and the ferrous metallurgy of the European CEMA countries and between the Soviet oil extraction industry and petrochemistry in the other countries of the socialist community. Realization of the Coordinated Plan of Multilateral Integration Measures for 1976-1980, within which important industrial installations with an estimated cost of 9 billion rubles are being built through the combined efforts of the fraternal countries (among them are the Ust'-Ilim pulp combine, the Kiyembayev asbestos mining and concentrating combine, and the Soyuz gas transport system), actively promotes stronger production cooperation among the economies of the CEMA countries.

Cooperative relations among the machine building sectors of the fraternal countries are expanding and growing stronger. The share of output delivered on the basis of specialization and cooperation has already passed 35 percent of the total volume of mutual deliveries of machine building output in the CEMA countries and is continuing to rise.¹⁶ At the 33rd session of CEMA the fraternal countries signed the most important agreement in the history of their cooperation on multifaceted international specialization and cooperation in the production and mutual delivery of equipment for atomic power plants in 1981-1990. This is in essence a plan, agreed upon and mutually reconciled with respect to capacity and resources, for the production and exchange of highly intricate machine building products within the socialist community as a whole. At the same time an agreement was signed concerning specialization and cooperation in the production of chemical output graded by energy-consumptiveness. Participants to

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the agreement will receive energy-consumptive chemical output from the USSR on the basis of mutual advantage in exchange for less energy-consumptive chemicals.

These and various other agreements that have been concluded illustrate the beginning of practical realization of long-term target programs of cooperation (DTsPS) adopted at the two most recent CEMA sessions. The long-range target programs of cooperation, elaborating and giving concrete form to the Comprehensive Program of Socialist Economic Integration, lay out a coordinated strategy of cooperation by the fraternal countries to accomplish key national economic tasks in the period until 1990, and for various problems even further into the future. These collective documents establish plans of joint actions by the fraternal countries to insure efficient development of interdependent production complexes which play the key role in the overall progress of their economies. In the process of its development, therefore, interstate cooperation among the CEMA countries is becoming an organic part and crucial condition of rational domestic economic activity by the individual countries and prerequisite to growth in the efficiency of national production. At the same time, the domestic economic cooperatives of the individual countries, working together more and more, are gradually becoming an interstate economic complex.

Thus, the directly social character of labor is developing gradually not only within particular countries, but on the scale of the whole community. A new economic category is taking shape in the world socialist economy: international directly social labor. Its most important feature is the fact that the labor expended to produce valuables that enter the mutual trade of the CEMA countries receives its international recognition while still in the phase of coordinating national economic plans, which is to say, before it is realized through production cooperation. In this case the quantitative definition of national expenditures of labor recognized on the international level is accomplished by comparing them with internationally necessary expenditures embodied in international value. The growing impact of international socialist labor cooperation experienced by each country is a powerful economic stimulus that intensifies the trend toward multifaceted convergence of the economic complexes of the particular countries.

The transition of the fraternal countries to integration reflects the fact that the real needs of domestic life in these countries increasingly encourages them to strengthen mutual ties because this is the only way to create conditions for efficient solutions to vitally important economic and political problems.

For example, let us take the problem of fuel and raw materials. It has changed from a national problem of particular countries to a truly international problem for all the countries of the socialist community.

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The approach to solving it, which is based on long-term reliance on planned, preferential development of the countries' own energy resources in the common interests of the fraternal countries has made it possible to supply the growing fuel and energy needs of the national economies of the socialist countries and protect them against the numerous grave consequences of the world energy crisis. In the current five-year plan almost 370 million tons of petroleum, 46 million tons of petroleum products, 88 billion cubic meters of gas, and 64 billion kilowatt-hours of electricity are being delivered from the USSR to the other CEMA countries. In the coming five-year plan deliveries of fuel and energy resources are to be increased by 20 percent overall.¹⁷

The 33rd session of CEMA pointed out that under contemporary conditions it is not possible to plan to satisfy the total fuel, energy, and raw material needs of the fraternal countries on an extensive base alone, simply by increasing extraction. Therefore, the fraternal countries begin from the need to focus greater attention on the qualitative side of things, to reducing expenditure norms for fuel and raw materials and devising new sources of energy and raw materials. In the near future the fuel and energy problem of the CEMA countries will increasingly be solved on the basis of closer unification of efforts within the framework of an appropriate long-range target program of cooperation. The same thing can be said of the problem of specialization and cooperation of production in sectors of manufacturing industry, the problem of food, and many others.

The process of socialist collectivization, as has already been said, takes place at the level of individual countries and at the level of the entire socialist community. Until a certain time socialist collectivization within the limits of particular countries and collectivization at the community level are in large part separate, although from the very beginning they are linked with one another by the dominance of socialist ownership, by the fact that both processes reflect the development of the communist method of production and communist system. From the very beginning each of these processes gave rise to trends toward consolidation and integration both within particular socialist countries and in the sphere of their mutual relations; these tendencies could be viewed as essential prerequisites to the process of convergence.

At the same time, the process of development of the socialist community is also a process of intensification of interdependence between collectivization at both of the above-mentioned levels. When the world socialist system achieves a definite level of maturity the national factors of development becomes so interrelated with international factors that a process of multifaceted convergence of the socialist countries takes shape within the framework of the community. It includes the results of socialist collectivization at the national and international levels and to a certain degree combines national and

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international factors of development in the fraternal countries into a single consolidation process.

Another important circumstance that determines the synthetic character of this process is that it brings the class and national factors of convergence together in the same channel: the socialist community becomes more homogeneous and solidified in a class sense and more closely associated with respect to international relations.¹⁸

The highest and most complete expression of all consolidation tendencies, which taken together make up the process of convergence of the socialist states, is the unity of these states. Considered as a category which reflects the level of interdependence of the structural parts of the world's socialist system achieved at each given moment, this unity is thus the most general result of multifaceted convergence of the socialist countries and integration of the world's socialist system. It is a general indicator of the breadth, depth, and efficiency of mutual ties among the socialist states.

All the areas of social life in the socialist countries, above all economics, politics and defense, are included in the sphere of unity and the sphere of convergence. The unity of the sovereign socialist states, each of which has its own specific features and national interests within the framework of the general interests, not only does not deny, but rather presupposes, allout development of the initiative of the socialist states and strengthening of their sovereignty. It is a voluntary, dynamic unity aimed at optimal solutions to national and international problems. It is characterized by a steady increase in the role and significance of party and state decisions in the progress of each country and of the community as a whole.

This unity reflects the level of convergence achieved in each particular period and expresses its primary result. Therefore, of course, it is historic in nature and assumes the appropriate forms and scale at each stage of development of the world socialist system. The political unity of the socialist states, which predetermines their joint, coordinated actions to secure the fundamental interests of socialism, is a concentrated expression of this unity. It relates both to certain aspects of the domestic politics of the fraternal countries and all their mutual relations and to their joint actions in the international arena. Political unity is an expression of the unity achieved by the socialist countries in economics and other spheres and, in turn, has a definite influence on them.

It is precisely from this standpoint that one should view the fundamental agreements achieved in recent years on further development of the process of socialist integration and the whole complex of joint actions taken by the countries of the community in the

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international arena to further international detente. The enormous advances made by the communist and worker parties in international indoctrination of the working people and creating that atmosphere of fraternal friendship among people of different countries which serves as a favorable setting for fruitful development of international co-operation should be viewed in this connection. This was emphasized by the 26 April 1979 decree of the CPSU Central Committee entitled "Further Improvement of Ideological and Political Indoctrination Work."

The unity of the socialist countries is above all the result of an enormous amount of hard work by the communist and worker parties to solve common problems. It reflects the increasingly international nature of party politics. Analyzing this aspect of the unity of the socialist state in his report at the 25th CPSU Congress, L. I. Brezhnev stressed: "The foundation of foundations of our close cooperation, its living spirit and organizing, guiding force is, of course, the indestructible fighting alliance of the communist parties of the socialist countries, the unity of their worldview, goals, and will."

The process of multifaceted convergence of the socialist countries, expressing the most significant facet in the development of the socialist community, illustrates the historical superiority of the new social order and its ability to solve the fundamental problems facing the entire human race.

FOOTNOTES

1. Marx, K., and Engels, F., "Soch." [Works], Vol 3, pp 19-20.
2. Ibid., Vol 3, p 60.
3. Lenin, V. I., "Polnoye Sobraniye Sochineniy" [Complete Works], Vol 26, p 162.
4. Ibid., p 140.
5. Ibid., Vol 27, p 98.
6. Ibid., Vol 23, p 318.
7. Marx and Engels, op. cit., Vol 4, p 445.
8. EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV No 1, 1979, p 7.
9. Ibid.

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10. See "Narodnoye Khozyaystvo Stran-Chlenov Soveta Ekonomicheskoy Vzaimopomoshchi. K 30 Letiyu Obrazovaniya SEV" [The Economies of the Members of the Council of Economic Mutual Assistance. On the 30th Anniversary of the Formation of CEMA], CEMA Secretariat, Moscow, 1979, p 6 (statistical anthology).
11. Ibid., p 5.
12. See ibid., p 87 and "Ekonomika Sotsialisticheskiky Stran v tsifrakh, 1965" [The Economy of the Socialist Countries in Figures, 1965], Izdatel'stvo Mysl', 1966, p 26.
13. Marx and Engels, op. cit., Vol 17, p 553.
14. The concept of international cooperation of social labor includes a number of criteria. The determining one is level of directly social nature of labor achieved within the framework of the integrated community. Among the other criteria are: definite state of the production apparatus and above all development of international production specialization and cooperation; appropriate mechanism of social economic management based on collective use of the action of the economic laws of the socialist method of production by the states being integrated; essential international bodies; the set of legal and organizational norms and other structural elements of planned management of the process of socialist cooperation among national economies.
15. See "Sovet Ekonomicheskoy Vzaimopomoshchi. 30 Let" [The Council of Economic Mutual Assistance. 30 Years], CEMA Secretariat, Moscow, 1979, pp 21, 23, 77.
16. See VNESHNYAYA TORGOVLYA No 2, 1979, p 5.
17. EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV No 1, 1979, p 44.
18. The convergence of classes and the convergence of nations are intertwining processes. But they also differ in both nature and duration. The Program of the CPSU points out that erasing national differences is a more prolonged process than eliminating class divisions. It is perfectly obvious that the problem of studying different forms of synthesis of social class and international convergence is extremely urgent for the entire socialist community not only from the standpoint of investigation of internal processes within the countries but also from the standpoint of development of their international interaction. There is no doubt that the integration processes taking place on a

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community scale, in particular the process of convergence of the socialist countries, and the consolidation processes taking place within the states are based on two fundamental principles, social class and the nation (in the sense of convergence of nations), which are acquiring a single form in the convergence of the sovereign socialist states.

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USSR-CEMA TRADE

DEVELOPMENT OF INTERNATIONAL MARKET AMONG CEMA MEMBERS

Moscow VOPROSY EKONOMIKI in Russian No 4, Apr 80 pp 113-121

[Article by O. Bogomolov, corresponding member of the Academy of Sciences USSR: "The International Market of the CEMA Countries"]

[Text] The Proclamation on the 30th Anniversary of the Council for Economic Mutual Assistance, adopted at the anniversary 33rd session of CEMA, took note of the active part played by commodity-money relationships among the CEMA countries in planned implementation of socialist economic integration. One of the important results of the activity of the Council mentioned in the Proclamation is that "mutual foreign trade, currency-finance, and credit relations have been established and are being steadily refined. These relations stimulate plan-based deepening and elaboration of economic and scientific-technical cooperation among the CEMA countries and facilitate the efforts of these countries to cushion their economies against the impact of crisis phenomena in the world capitalist economy."

The international market of the CEMA countries has a number of important characteristics and specific patterns of development which demand theoretical interpretation and correct consideration in practical work toward integration.

As the process of division of labor among the CEMA countries deepens and their economies become more highly integrated, the exchange of results of productive activities, products of labor, and nonmaterial values becomes more intensive. Under contemporary conditions the exchange of goods has special characteristics and forms.

The most important attributes of commodity exchange both within countries and among countries are the market and the price. In K. Marx's definition the market is "the sphere of exchange." The world market is not only the international sphere of commodity exchange, but also the economic territory within which the exchange is accomplished.

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"The market has external geographic limits," Marx observed.¹ Alongside the spatial-geographic aspect we should note the other essential aspect of the market, the political-economic aspect which is revealed in the totality of commodity exchange relationships: buying and selling, currency payments, and credit transactions.

The international market may develop in breadth, when new economic territories are drawn into the sphere of exchange or new national economic complexes begin to participate, or in depth, which occurs when exchange is expanded by deepening production specialization and cooperation. The world market is a broad international sphere of commodity circulation in which all the world's major regions are involved.

The victory of the Great October Socialist Revolution led to withdrawal of a significant economic territory from the sphere of imperialism. A single all-encompassing capitalist world market ceased to exist from that moment. The entry of a large number of countries onto the path of socialist development after World War II signified a further reduction in the capitalist world market. Parallel to it there formed a market which is a sphere of international exchange subordinate to the action of socialist economic laws. This market is one of the important elements in forming the structure of the socialist world economic system and actively influences its formation and development.

The world socialist market operates above all as a specific system of commodity-money relations. Its specific quality arises from the fact that the agents of these relations, the buyers and sellers, are socialist countries which possess monopolies on foreign trade ties and are represented in the market by corresponding economic organizations. These relations, which are planned socialist relations by nature, are nonetheless commodity-money relations and therefore governed by the law of value. They conform to the characteristics of its operations under socialist conditions and express their essential features in categories such as contract price, collective currency, international socialist credit, balance of payments, and supply and demand. All of these categories are essentially socialist categories and therefore differ from analogous categories in the world capitalist markets.

The existence of the world socialist and world capitalist markets does not mean that they are entirely isolated from one another. Exchange relations among them and their economic units are developing under conditions of peaceful coexistence among states with different social orders. The world market exists as a dialectical unity of two markets that differ by their social nature: the world socialist market and the world capitalist market.

¹ Marx, K., and Engels, F., "Soch." [Works], Vol 26, Pt 11, p 583.

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In addition to the concept of the world market there is the concept of regional international markets. They are formed by groups of countries joined by special forms and conditions of economic exchange and far-reaching division of labor; they join and coordinate their foreign economic activities in international organizations. Regional markets are definitely distinct from the world market. Thus, the European Economic Community, called the "Common Market," which joins together nine Western European countries, is separated off from the world capitalist market by common tariffs and various other economic and other barriers.

The economic ties and cooperation of the USSR and other socialist countries which are joined together in the Council of Economic Mutual Assistance have, owing to socioeconomic and historical preconditions, become particularly close. This led to the formation and development of the international market of the CEMA countries, which accounts for more than half of their total foreign trade.

The international market of the CEMA countries is, in our opinion, a sphere of commodity-money circulation relatively distinct from both the internal national markets and from the world market. This can be seen in the special system of contract and foreign trade prices and accounts which differs from national systems and wholesale and other prices. It can also be seen in the special organizational forms of foreign trade, the different composition of trade participants themselves, and partially in the structure of trade. The dividing line between the international market of the CEMA countries and their domestic markets is not, of course, absolute. Relationships among them still exist, as do relationships between the international CEMA market and the world market.

Unlike the world capitalist market, which is under the sway of spontaneous laws and subject to the upheavals of chronic currency crises, trade wars, and crisis balances of trade and payments in particular countries, the commodity-money relations in the CEMA market are planned. Long-term trade agreements among the CEMA countries are based on coordination of their national economic plans and planned organization of the international socialist division of labor. This predetermines high and stable rates of growth in trade, steady growth in the capacity of the market, and the possibilities of consistently balancing and regulating supply and demand. The law of value operates in modified form in the market of the CEMA countries within the system of other economic laws of socialism.

Commodity exchange among the socialist countries is developing at a fast and stable rate, without periodic recessions and fluctuations characteristic of the world capitalist market, which suffers not only sharp fluctuations in rate of increase of trade but also absolute reduction in trade volume.

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Trade in the CEMA market increased almost 23-fold (in current prices) between 1951 and 1978, and exchange of commodities and services grew more rapidly than their production in these countries. This means that a steadily growing share of the output produced by them has been directed to the CEMA market.

The intensity of development of the international CEMA market has differed in different periods. In 1951-1960 when this market was rapidly taking shape the average annual growth rate of mutual trade in the CEMA countries was about 13 percent. A slowdown to 8.6 percent was observed in 1961-1970, which can be explained by exhaustion of extensive potential for development of the mutual trade market. Under these conditions the integration factors of economic growth in the CEMA countries and mutual cooperation among them assumed particularly great importance. Implementation of the Comprehensive Program of Socialist Economic Integration was reflected in the increasing rate of growth of mutual trade. In 1971-1975 the average growth rate was 16.2 percent; in large part this was a result of an increase in world prices and, related to them, contract prices. In 1976-1978 the mutual trade of the CEMA countries grew at an average annual rate of 13.2 percent.

An important feature of the international market of the CEMA countries is that in it the social conditions that give rise to unequal exchange, competitive struggle, and exploitation of one country by another, that is, phenomena typical of relations among countries in the capitalist world, have been completely eliminated.

Compliance with equality and mutual advantage in exchange in the market of the CEMA countries is insured by relationships of cooperation and mutual assistance and by coordination of national economic plans. Needless to say, not all the relations among these countries are subordinate to the laws of socialist commodity production, that is, based on mutual advantage and exchange of equivalent commodities. Mutual assistance in practice goes beyond the framework of these laws. For example, the technical documents that make it possible to build new industrial installations and set up production of new articles have been and continue in large part today to be shared among the CEMA countries free of charge, disregarding compensation for expenditures related to making copies of the documents themselves. The approximate value of the patents, licenses, and other documents turned over to one another by CEMA countries free of charge in the postwar period is estimated at 15 billion rubles. The scientific-technical cooperation practiced among the CEMA countries based on the principles of fraternal mutual assistance plays an important part in their industrialization and continuing industrial progress.

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Growth in Trade Among CEMA Countries²

	1950	1960	1970	1975	1977	1978
Mutual Trade of CEMA Countries (in prices of corresponding year, billions of rubles)	4.5	14.3	33.5	71.0	91.3	102.9
Index	100	317	744	1,578	2,029	2,287

The international market of the CEMA countries differs from the world capitalist market not only by its patterns of development but also the principles and forms of organization of exchange itself. During practical development of cooperation among the socialist countries the forms and methods of planned regulation of mutual trade that are most appropriate to the objective laws of development of the world socialist economy, the international division of labor, and the socialist nature of commodity relations in the CEMA market have been found. One of the foremost among them is coordination of five-year national economic plans. The planning agencies of the countries sign protocols that reflect the areas of agreement reached with respect to coordination. The protocols contain lists of the most important goods subject to delivery from a particular party on a conventional trade basis or through participation in joint construction of industrial installations, credit agreements, and the like. Both the total volume of mutual trade for each pair of countries and the amounts of the most important mutually delivered goods are agreed upon. A balance of mutual charges arising from delivery of goods, rendering of services, granting and repayment of credit, and the like is achieved during planned coordination.

The development of trade in the CEMA market in the desired direction also helps insure a coordinated plan of multilateral integration measures, agreements on joint construction of economic installations, and other decisions reached in the course of joint planning work on a bilateral or multilateral basis.

Agreements on international cooperation and specialization in production concluded for five years and longer on a multilateral or bilateral basis are an important lever of planned regulation of trade in the CEMA market. These agreements envision not just the assortment but also the volume of mutual deliveries in physical terms, as well as cost terms in

²Sources: "Statisticheskiy Yezhegodnik Stran-Chlenov Soveta Ekonomicheskoy Vzaimopomoshchi 1977 g." [Statistical Yearbook of the CEMA Countries for 1977], Izdatel'stvo Statistika, 1977, p 325; VNESHNYAYA TORGOVLYA Nos 4, 8, 1979.

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many cases, and determine the quality of output and delivery times. Specialization and cooperation of production are exerting a stronger influence on the growth rate and structure of trade among the CEMA countries.

Bilateral trade agreements concluded for five-year periods and detailed concretely each year by special protocols stating assortment and volumes of goods to be delivered have the most effective and direct impact on the development of the mutual trade of the CEMA countries. The lists of mutual deliveries attached to these agreements are in essence a plan of trade agreed upon by the parties which has the force of an international law obligation for them. These lists reflect the results of coordination of five-year plans and obligations which arise from agreements on specialization and cooperation of production, joint construction, and the like.

Thus, the trade agreements can be said to unify different understandings relative to goods deliveries reached at different levels. They are backed up by the state and its agencies, which are responsible for the export and import of goods. They fix the economic conditions of international exchange.

The trade agreements are carried out by contracts for the delivery of specific goods. These contracts are concluded by economic or foreign trade organizations specially authorized to do so. The contracts determine the obligations of the parties with respect to buying and selling the goods and establish all related details of the transaction: specific features of the goods, quantity, price, delivery time, conditions of acceptance, manner of payment, and the like. Whereas the trade agreements determine the basic parameters of trade between countries, the contracts put the obligations in concrete form and provide sanctions for violation of obligations by the parties. It is important, therefore, that all points of the trade agreement be reinforced by contracts. This is one of the principal indicators by which the course of fulfillment of agreements is monitored. The process of concluding contracts is facilitated by the document "General Conditions of Commodity Delivery Among CEMA Countries," which is a statement agreed upon by the CEMA countries that determines standard delivery conditions.

Bilateral forms of trade predominate in the planned organization of trade in the international CEMA market at the present time. The role of multilateral forms of regulation is steadily growing. But multilateral agreements, for example with respect to specialization and cooperation of production, receive final form only on the basis of bilateral agreements and contracts. There is a certain contradiction in this, because the process of international division of labor and socialist integration increasingly demands multilateral planning decisions and multilateral regulation of trade and accounts.

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Price formation in mutual trade and improving this process are unquestionably a key problem in development of the international market of the CEMA countries. Goods are, of course, exchanged in proportion to their value, that is, according to the socially necessary labor contained in each product. The law of value determines the proportions of exchange and requires that different goods be equal to one another by amount of socially necessary labor embodied in them. From the point of view of one country alone socially necessary labor means labor of normal quality for the particular national market (that is, of average complexity, productivity, and intensity).

In international exchange, however, the requirements of the law of value are realized somewhat differently. For this reason domestic prices in the socialist countries differ from foreign trade prices for the very same products, and these differences may be very significant.

The fundamental ideas that explain the objective process of formation of international value and the world price were expressed by Marx in "Capital."³ International value is formed on the basis of averaging national labor expenditures, which means that the international value is determined by the amount of labor necessary to produce a particular product not from the point of view of an individual country but rather from the standpoint of all participants in the exchange. There arises the concept of "internationally necessary expenditures" or, in Marx's words, the "average unit of labor of the entire world."

The value of goods is revealed in the most universal way during the process of international exchange. Whereas in the domestic market only other products produced within the country may compete with a particular commodity in exchange, in the world market each commodity can be compared to any of a practically unlimited number of goods existing in the world. Expenditures of socially necessary labor evaluated in "average units of labor of the whole world" will be the foundation of these exchange proportions. In our view, this "average world labor" means labor of normal quality, considered such by all countries taking part in world trade. The averaging process here has its own distinctive features.

In the first place, international value is not formed from average weighted expenditures of national labor; where other conditions are equal, costs in the countries which are the principal exporters of the particular output have a decisive impact. The share of a country in world production of a particular commodity does not by itself reveal what role the country plays in determining the average world level of production costs for this commodity. If production is largely or

³ See Marx and Engels, op. cit., Vol 23, p 571.

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entirely oriented to domestic consumption, it is not practically involved in formation of international value. When a country's is more of its output to the world market and occupies a larger share in the corresponding world trade market, it will have a correspondingly greater impact on formation of the international value of this output.

In the second place, it is typical of the world market that national labor which is more productive than the average is considered to be more intensive, that is, producing greater value. This occurs until such time as competition forces the country which has higher labor productivity to lower selling prices.

Prices form in principle on the basis of value, and world prices are based on international values, even though in practice there are various factors that modify value (both national and international) and cause the price to deviate from its value base. If a buyer or seller occupies a monopoly position in the market he can influence prices, raising or lowering them. Prices are influenced by rent, especially related to different degrees of accessibility and economy of exploitation of natural resources and land. Prices for agricultural products and certain other commodities whose reproduction is limited by natural conditions are formed on the basis of sectors that are not favorable for exploitation.

The social nature of commodity-money relations also influences the formation of international value and, accordingly, foreign trade prices. Under monopoly and state-monopoly capitalism, of course, serious deformations of the process of price formation occur. On the other hand, the relations of comradely solidarity and cooperation among the socialist countries create the prerequisites for true mutual advantage and equivalence in exchange. Many specialists believe that the specific socialist exchange relations in the CEMA market lead to the formation of a distinct regional international value which differs from the international value in the capitalist market.

This is an issue, however, which specialists continue to debate. The foreign trade of the CEMA countries today accounts for about six percent of all world trade, so exchange relations among the CEMA countries are not as universal as relations in the world market. In practice the CEMA countries construct mutual trade prices on the basis of the prices in the world capitalist market purged of speculative and purely competitive influences, that is, in corrected form. Nonetheless, the relationship between the two markets in price formation is apparent. This gives reason to argue that there is a universal world value, just as there is a world market, and that this value takes shape under the influence of countries with different social systems to the extent of their actual participation in world economic relations and that in the market of the CEMA countries this value is not replaced by a different international value, but is only modified in significant fashion relative to the needs of international socialist relations.

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Without anticipating the outcome of this theoretical debate, we will review concrete characteristics of foreign trade prices in the CEMA countries.

The table below shows the specific features of foreign trade contract prices in the CEMA countries arising from the nature of the international socialist division of labor and labor cooperation.

Indexes of USSR Contract Prices in Trade with CEMA Countries and World Prices for Key Commodity Groups (1970 = 100)⁴

Commodity Groups	1971	1972	1973	1974	1975	1976	1977
Fuel, Raw Materials, Metals:							
Contract Prices	105	110	113	119	175	177	185
World Prices	108	111	168	243	247	258	263
Agricultural Raw Materials and Processed Goods:							
Contract Prices	96	107	108	111	135	148	150
World Prices	103	121	176	216	201	203	229
Machinery and Equipment:							
Contract Prices	101	108	105	116	127	145	151
World Prices	103	112	117	128	141	148	155

Although the comparison of these indexes is not sufficiently rigorous from a statistical standpoint, still it reveals unquestionable differences not only in changes over time but also in the proportions of prices among the key commodity groups in the world market and the international market of the CEMA countries.

The table shows that the gap between contract prices and world prices is greatest for fuel and raw materials and least for machinery and equipment. This illustrates the advantages to the CEMA countries of trading with the USSR for machinery and equipment as compared to trading in the world market.

The prices of the world capitalist market in recent years have shown a general tendency to increase, caused by chronic inflation, devaluation of the principal capitalist currencies, and the changing ratio of

⁴ See VOPROSY EKONOMIKI No 8, 1978, p 103; MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA No 9, 1979, p 96; MONTHLY BULLETIN OF STATISTICS May 1979, p XIII, XXX.

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forces in the world capitalist economy. These prices are constantly fluctuating, undergoing speculative upsurges and abrupt drops. By contrast, the mutual trade prices of the CEMA countries do not change from day to day under the influence of supply and demand; they remain constant throughout the year.

The principles of establishing prices for mutual trade among the CEMA countries which continue in effect today with certain amendments and refinements were adopted at the 9th Session of CEMA in Bucharest in 1958. They begin from the idea that mutual trade prices should be mutually advantageous, promote the development of economic cooperation among CEMA countries, facilitate the formation of a rational structure in their economies, and remain stable and uniform in trade among all CEMA countries. The session proposed that contract prices be determined on the basis of world prices in the principal commodity markets by reaching appropriate agreement and by consent among trade partners. The principle of uniformity of prices for identical goods in the CEMA country is not always followed in practice because trade negotiations are conducted on a bilateral basis and partners may adopt certain price concessions on mutual grounds.

One of the principles of price formation approved by the 9th Session of CEMA was the necessity when agreeing on foreign trade prices to exclude speculative elements and current market influences from world prices. This was accomplished by averaging the world prices taken as a base. For example, the contract prices in effect without change in 1966-1970 were determined by the CEMA countries on the basis of average world prices for 1960-1964. Stable prices for 1971-1975 were established on the basis of average world prices for 1965-1969.

The principles of price formation permit the use of an incentive price which, although it is determined on the basis of the world price, can deviate significantly from it for the purpose of stimulating the export of a scarce or particularly high-quality product. Examples of such prices are the prices for Cuban sugar or livestock products from Mongolia imported by the Soviet Union. These prices are established with an eye to assisting Cuba and Mongolia in evening out their levels of economic development.

Many years of economic cooperation by the CEMA countries show that the principles of price formation in foreign trade upon which they agreed in 1958 have worked very well, although further improvement in the price system and fuller reflection of the economic laws of socialism in prices are still challenges today.

World prices that form in the market which accounts for about 94 percent of world trade are still the only realistic basis for the CEMA countries to use in agreeing upon their prices. This is particularly true because they carry on trade with the capitalist and developing

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countries as well as with one another. The use of certain prices in the one case and other, very different prices in the second case would greatly complicate foreign trade.

Of course, the prices used by the CEMA countries in foreign trade are not identical to the prices in world capitalist trade; CEMA prices remain stable for a year or longer and have been purged of speculative influences. Nonetheless, these prices reproduce, although in mitigated form, some of the contradictions of the world economy. World trade prices form principally under the influence of capitalist production relations, under the domination of state-monopoly capitalism.

One of the most acute contradictions of the capitalist world economy reflected in world market prices is the non-equivalence of exchange between the industrial powers of the West and the young nation states of Asia, Africa, and Latin America. For many decades there was a discrepancy in the movement of world market prices for raw materials and fuel delivered primarily from the developing countries and prices for finished goods exported chiefly by the industrially developed countries. This gap grew wider and wider until 1974, making conditions of exchange worse for the developing countries and forcing them to give up more and more of their raw material commodities for the same amount of imported finished products.

The table below shows that for more than two decades the proportions of exchange of raw materials for finished products ("terms of trade") grew steadily worse for the countries producing raw materials and fuel. This price discrepancy was a result of the profound contradictions within the capitalist world economic system in its state-monopoly stage of development. It is difficult to explain these figures by differences in change in labor productivity over time in the extracting and processing sectors.

U. N. Indexes of Export Prices of the Capitalist Countries (1950 = 100)⁵

Commodity Groups	1960	1965	1970	1971	1972	1973	1974	1975	1976	1977
Raw Materials	90	94	98	107	123	176	299	295	306	304
Finished Products	121	127	145	152	164	193	235	264	265	282

⁵ MONTHLY BULLETIN OF STATISTICS for corresponding year.

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Taking advantage of their monopoly position in the market and industrial property in the developing countries, the large transnational corporations deliberately follow a policy of low prices for raw materials and fuel. They have an objective interest in inhibiting growth in the standard of living in the developing countries, because it would ultimately lead to a rise in prices for the export commodities exported by these countries to the West. It is very instructive that until recent times the level of prices for raw materials has flagrantly contradicted action of the factor of limitation and irreplaceability of fuel and raw material resources which, where other conditions are equal, would cause a tendency for prices to rise.

A sharp turnaround in the trend of export prices in the world market began in 1973. The Organization of Petroleum Exporting Countries adopted a decision to raise oil prices. As a result, during the 1970's these prices have increased more than 10 times. Following this there have been sharp rises in the prices for other types of raw materials and fuels, and finished goods too have become more expensive. This corrected, at least for a certain time, the unjust proportions of exchange of fuel and raw materials for finished goods.

Because the change in price proportions in the world market moved in the direction of restoring the equivalence of exchange that had been disturbed for many years, the CEMA countries in their mutual trade could not ignore this process. Agreement was reached to revise contract prices beginning in 1975, by stages bringing them close to the new price ratios of the world market. Under conditions of abrupt changes in world prices it was recognized as expedient to change from constant base prices for five-year periods to a "sliding" base determined annually by averaging world prices for a number of preceding years. For 1975 the three preceding years, 1972-1974, were used, and since 1976 the base each year has been average world prices for the preceding five-year period (for example, in 1979 the base was 1974-1978). This has assured a gradual transition to new price ratios and the countries that import raw materials and fuel received a certain time to adapt to the new situation.

The "sliding" price base enables the CEMA countries to take economically justified changes in the proportions of world trade into account. The 93rd session of the CEMA Executive Committee adopted a decision to use this base in the upcoming five-year plan. There are a number of circumstances that make it necessary to refine the prices of mutual trade in the CEMA countries and take fuller account in them of the demands of a planned socialist economy.

The world price for standard commodities traded on a large scale such as petroleum, grain, lumber, metals, rubber, and wool can be determined quite easily and definitely. The same cannot be said, however, of commodities such as machinery, especially complex machines that

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differ in design although used for the same purpose. In this case the world price can be represented only on the basis of the proposed prices of various exporting firms, which usually include substantial overcharges and differ greatly among themselves, or based on the prices used in actual export and import transactions between CEMA countries and Western partners. It is even more complex to find the world price for assemblies and parts delivered by cooperative agreement and for spare parts. Such deliveries between countries are usually made by circulation within large monopolies at set in-house prices and are, in effect, removed from world trade (deliveries of this type accounted for more than 25 percent of total export of the capitalist countries by the early 1970's).⁶

The agricultural policy of the European Economic Community significantly distorts the process of price formation for many agricultural commodities in world trade. This creates substantial difficulties for the CEMA countries in using the world base.

The procedure of including a transportation component in mutual trade prices in the CEMA countries gives rise to its own problems. CEMA countries sell goods to one another at a price that is F.O.B. the border or port of the exporting country. In this case the world base price, which is the export price in the shipping port that is the main center of world trade for the particular commodity, is increased by half of the transportation costs from the center to the port (or border) of the CEMA country that is importing the particular commodity. When buying a commodity in the world market, the importing CEMA country must pay all transportation costs from the place of sale to its own port. But when it imports this same commodity from a neighboring CEMA country it incurs only half of the transportation costs, which give it a definite advantage. However, the supplement to the exporter's price in the amount indicated above (half of the transportation costs) may not cover that country's transportation costs within the country from the place of extraction (production) of the commodity, for example petroleum, iron ore, or pulp, to the border if the distances are fairly substantial (for example, from Siberia to the western border of the USSR). The arbitrariness of this scheme for considering transportation costs in the contract price is also a reason to improve these prices.

The CEMA countries have agreed upon the general requirements by which to be guided in working out ways to improve the system of price formation in mutual trade. Without departing from principles developed earlier, they announced their intention to improve mutual trade prices for the purpose of fully promoting the development of socialist integration. They want prices to stimulate an expansion of efficient

⁶ See VNESHNYAYA TORGOVLYA No 6, 1975, p 39.

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mutual trade and help achieve rapid specialization and cooperation in production; prices should promote a steady rise in the scientific-technical level and quality of goods and promote more efficient use of natural resources and growth in the production and export of scarce types of raw materials and agricultural products.

These tasks are especially pressing with respect to deliveries of specialized output and cooperative deliveries of parts and assemblies. Because the output produced within the framework of international production cooperation is earmarked for a definite consumer and often will be delivered by circulation within a company, it is quite artificial to speak of world prices for such output. Prices must on occasion be constructed by analogy or other methods. When agreeing on prices for parts and assemblies delivered by cooperation, the CEMA countries often have no other guideline but internal costs of production and indicators of export and import economic efficiency. Therefore, lively debate is underway among specialists on the extent to which internal production costs of a country should be taken into account in adjusting the "world base" of prices for specialized output and what effort is needed to insure that each country achieves a standard level of efficiency in the export and import of corresponding output. In this area we may expect a solution to the problem of improving contract prices for products delivered on a cooperative basis and also prices for certain scarce commodities, including certain types of food and agricultural raw materials.

Constantly improving commodity relations in the CEMA market is one of the important and highly complex tasks which is receiving growing attention today, especially in connection with adoption of long-term target programs of cooperation and the conclusion of agreements to carry out these programs.

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