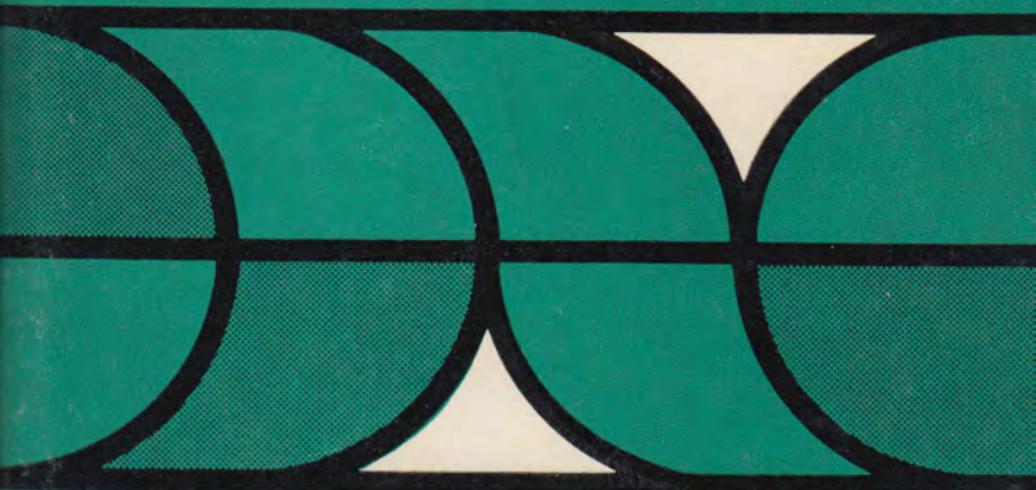




*World Scene*

**CMEA  
and European  
Economic  
Cooperation**

Y. Shiryayev and A. Sokolov



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## INTRODUCTION

The dynamic character of the present epoch is being more and more often spoken of in the world press. But even in these times of rapid change there are certain basic, permanent requirements—peace and the security of the nations. The right of mankind to a better future is now increasingly associated in the minds of people with the continuation and broadening of the process of détente, with efforts to make this process an irreversible one.

The Soviet Union and other socialist countries, in building their relations with European and other states, proceed from the conviction that broad and mutually beneficial cooperation promotes mutual understanding and trust, and friendly, good-neighbourly relations, and in the final analysis, strengthens international peace and security. Today the Council for Mutual Economic Assistance (CMEA)<sup>1</sup> is an important factor in European economic and political life. Seven of the nine CMEA countries are European states with a huge industrial potential, rich natural resources, a numerous and well-trained force of workers and experts, and a stable and expanding home market.

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<sup>1</sup> On January 25, 1949, at the Moscow Economic Conference of European Socialist Countries, attended by representatives of Bulgaria, Czechoslovakia, Hungary, Poland, Romania and the

At present the economy of the European socialist states is developing in accordance with a programme for socialist economic integration.

The Comprehensive Programme of Socialist Economic Integration, adopted in 1971, defines the strategy and tactics of economic cooperation within the CMEA both in the immediate years ahead and over a 15-20-year period. The Report of the CPSU Central Committee at the 25th CPSU Congress says that this programme "raises cooperation among socialist countries to a much higher level than ordinary promotion of trade. For example, it means joint development of natural resources for common benefit, joint construction of large industrial complexes to meet the needs of all the partners, and cooperation between our countries' enterprises and whole industries planned for many years ahead". The Programme provides for steady improvement of international socialist division of labour, enabling each of the CMEA countries to intensify social production and utilise more rapidly the results of the scientific-technical revolution. Socialist integration will help all fraternal parties carry out the plans for raising the living and cultural standards of their peoples.

While its immediate aim is to improve the forms of mutually beneficial cooperation among the member countries, the Comprehensive Programme at the same time helps to establish a firm basis for extending economic relations with all countries, both developed capitalist countries and developing nations.

The question of consolidating socialist integration is related to the question of extending cooperation USSR, a declaration was adopted on the founding of a Council for Mutual Economic Assistance. Albania joined the Council in February, 1949, the GDR in September, 1950, Mongolia, in July, 1962, and Cuba in 1972. In 1961, Albania withdrew from the CMEA; Albania's action was in line with its leadership's general policy of playing up to Maoist China.

among all European countries. And this relationship calls for close attention today in view of the relaxation of international tension and the transition from confrontation to cooperation between countries with different social systems. Thanks to the good results of the Conference on Security and Cooperation in Europe, fresh opportunities have arisen for expanding all-round relations between countries with opposite socio-economic systems. Speaking at the final stage of the Conference, Leonid Brezhnev, General Secretary of the CPSU Central Committee, said: "Relations between the participating states have been placed on a solid basis consisting in the fundamental principles which are to determine the rules of conduct in relations between them. These are the principles of peaceful coexistence for which V. I. Lenin, the founder of the Soviet state, fought with such conviction and so consistently and for which our people are fighting today."

The CMEA countries are interested in expanding economic relations with all countries of the world. It is stated in the Comprehensive Programme that CMEA members, in keeping with their policy of peaceful coexistence and proceeding from the fact that the planning of international socialist division of labour takes into account the worldwide division of labour, will continue to develop economic, scientific and technological relations with other countries, irrespective of their social and state systems, on the basis of the principles of equality, mutual advantage and sovereignty. Practice has shown that with the implementation of the measures outlined in the Comprehensive Programme, the material prerequisites are created for the expansion of economic relations between CMEA countries and the rest of the world including Europe.

The activities of the CMEA indicate that in carrying out their integration policy the countries of the socialist community at the same time are working for

a peaceful and constructive future for Europe and pursuing, in effect, the twin tasks of (1) extending international socialist division of labour and (2) consolidating the position of CMEA countries in the system of world economic relations.

The decisions of the Conference on Security and Cooperation in Europe, drafted with the active participation of the European CMEA countries, provide for extensive multilateral cooperation in the fields of the economy, science and technology ruling out all artificial barriers and discrimination. Development of reciprocal trade as an important factor in economic and social progress, joint drafting of all-European large-scale projects, organisation of effective cooperation in the field of improving transportation systems, utilisation of new energy sources, space exploration, the study of problems of public health, protection of the environment, etc., will no doubt promote the economic growth of each country and help build up mutual confidence and strengthen peace.

The European Conference is the first of its kind. Its participants, all enjoying equal rights, jointly elaborated a charter of cooperation and security. The documents of the Conference are already exerting a profound impact on the European continent, stimulating economic cooperation on an all-European basis. In this way they are also influencing the future of Europe.

The purpose of this booklet is to describe the efforts of the CMEA countries to promote equal and mutually beneficial economic cooperation in Europe, to discuss the present state and future prospects of economic relations and relations in the fields of science and technology between the member states of the CMEA and the West European countries, and to indicate the new trends in the development of economic relations between them.

## CMEA COUNTRIES: THEIR PLACE IN EUROPEAN AND WORLD ECONOMY

The 1970s have emerged as an era of hope for Europe and the whole of mankind, the hope that the course of history may be put on a path of peace and cooperation. The final results of the Conference on Security and Cooperation in Europe, Leonid Brezhnev said, "consist in the fact that international détente is being increasingly given material content. It is détente in deed that is the essence of the matter, the essence of all that should make peace in Europe truly stable and lasting."

The Conference defined the directions and concrete forms of cooperation in the fields of trade and economy, science and technology, protection of the environment, culture, education and contacts among people, institutions and organisations.

Geographically the Council for Mutual Economic Assistance extends beyond the European continent since it also includes the Mongolian People's Republic and the Republic of Cuba. But owing to the fact that the remaining seven of its member states and the great part of its economic potential are found in Europe, problems of European economic cooperation are of special significance to the Council.

This significance is also explained by the presence of a well-developed system of international communications and traditional trade relations between the East and the West of Europe, and by the fact—and this is particularly important—that concentrated in Europe is an immense economic, scientific and technological potential and that Europe has an exceptionally capacious market for practically all types of fuels and other primary commodities, semi-manufactures and finished products.

The economic potential of modern Europe greatly exceeds that of any other region or continent. The population of Europe is only a fifth of the world's population, but Europe accounts for nearly 47 per cent of world national income and almost 55 per cent of world industrial output. European countries spend huge sums yearly for new industrial and civil construction and modernisation of the economy. Estimates based on UN data show that the annual investments made by the CMEA countries and the countries of Western Europe are currently about equal in absolute terms; together they exceed 300,000 million dollars.

The socialist and capitalist European countries have large reserves of skilled labour and engineering personnel capable of mastering any modern line of production. Almost half of the world's research force are at present employed in Europe.

The effort to strengthen cooperation and security in Europe is facilitated by the fact that European countries are situated close to one another and that many of their waterways, highways and sea routes are inter-linked. This means that there are excellent possibilities for industrial, scientific and technological cooperation between European nations, for cultural exchanges and tourism.

Europe traditionally leads in world trade. At present it accounts for 54 per cent of world export trade. A large proportion of world trade is inter-European trade which currently accounts for more than 38 per cent of world export trade. Since the second half of the 1950s, East European foreign trade has grown 1.3 times and West European foreign trade 1.2 times faster than world trade at large.

The revolution in science and technology which began in the 1950s has provided new objective stimuli to European division of labour.

Lenin, the founder of the world's first socialist state,

wrote: "There is a force more powerful than the wishes, the will and the decisions of any of the governments or classes that are hostile to us. That force is world general economic relations..."<sup>1</sup> The scientific-technical revolution has rendered futile attempts to artificially hinder normal economic relations between countries. It is now obvious to all that any attempt to cause an artificial break in normal East-West economic relations in Europe is bound to fail.

Reality itself has disproved the ideas of the "Little Europeans" who hoped to solve key economic problems facing Western Europe on a subregional basis. Even partial implementation of these ideas has made the economic stability of Western Europe dependent on factors beyond its control. This dependence on other, often quite distant, regions involves the import of technology, fuel and raw materials, the levelling up of the balances of labour, and affects the currency system and markets. Experience has shown that such dependence complicates the economic life in many countries, and this happened, for instance, during the energy crisis.

In short, the economic barrier that rose between Europe's West and East played an altogether different role from the one assigned to it by its authors in the cold war years. This exploded the "Little Europe" myths, above all, the idea that the socialist countries alone are interested in promoting economic cooperation on an all-European basis. This is not to say, of course, that all West European advocates of the old policy towards the CMEA have vanished. They have not. But, they are rapidly losing ground.

The predominant part of Europe's total production and research and development capacity and of manpower, raw material, fuel, agricultural and forestry resources are controlled by the dynamic community of

<sup>1</sup> Lenin, *Coll. Works*, Vol. 33, p. 155.

CMEA member countries. Such is the economic reality of Europe today.

Since the end of the last world war the position occupied by the socialist countries, now united in the CMEA, in the world economy has changed radically. Under a programme of socialist industrialisation countries of Central and South-East Europe that were economically weak formerly have built a large-scale modern industry. The industrial potential of Czechoslovakia and the German Democratic Republic has grown rapidly, and the Soviet Union has greatly increased its economic potential. Soviet science and technology now occupy leading positions in a number of important fields.

The CMEA countries today account for over one-fourth of world national income and about one-third of world industrial output. More than one-third of the world's scientific work force is employed in these countries.

In the field of fundamental research Western Europe increasingly lags behind the United States and also the CMEA countries, in particular the Soviet Union. Public and private expenditure on scientific and technological research in the whole of Western Europe is approximately a third of the amount spent by the CMEA countries. One hardly needs to prove the decisive role played by fundamental research in accelerating economic and technological progress of a country.

The European socialist countries have a wide network of scientific research centres comprising more than 10,000 institutes and departments engaged in research and development. The CMEA countries, the Soviet Union in the first place, have a substantial and continually growing scientific reserve. The Soviet Union is one of the leading countries in the world in the number of certificates of authorship issued to inventors. The CMEA countries have extensive experimental faci-

lities and have accumulated ample experience in effectively coping with many intricate scientific-technical problems, including those that lie at the basis of the current revolution in science and technology. All this makes the European socialist countries highly promising partners in carrying out important scientific and technological tasks.

Addressing the 11th Congress of the Hungarian Socialist Workers' Party in Budapest, Leonid Brezhnev, General Secretary of the CPSU Central Committee, said: "...the factor of integration is beginning to play an ever greater role in the fulfilment of the national-economic tasks of each fraternal country. Largely because of this the CMEA member countries have become the most dynamic industrial area in the world and in rate of growth are ahead of any other group of states."

This is borne out conclusively by a comparison of the main indices of economic growth in the CMEA and the EEC.

In 1974 the national income of the CMEA countries increased more than six-fold compared with 1950, while that of the Common Market countries merely trebled in the same period. The gap in the growth of industrial output is still wider. Industrial output grew more than nine-fold in the CMEA countries against 3.4-fold in the EEC countries. In 1971-74 the volume of industrial production in the CMEA countries increased by 35 per cent against 14 per cent in the EEC. Agriculture, too, is developing at a much faster rate in the European socialist countries.

The industrial and agricultural output of the CMEA countries is going up steadily. In 1974 they produced 20 per cent more steel, electric energy and footwear, 220 per cent more coal, 60 per cent more mineral fertilizers, 180 per cent more grain and leguminous crops and 20 per cent more meat and milk, compared with the EEC countries.

The European members of the CMEA have far outstripped the Common Market countries in per capita output of mineral fertilizers, cotton fabrics, sugar, grain and many other industrial and farm products. All this indicates the scope of economic changes that have taken place in the European socialist countries, most of which were underdeveloped outskirts of industrialised Europe in the past.

The largest of the CMEA countries—the Soviet Union—is first in the world in the production of coal and iron ore, cast iron, coke, programme-controlled machine-tools, diesel locomotives, railway cars, tractors, combine harvesters, mineral fertilizers, cement, precast concrete structures, sawn timber, textiles, footwear, sugar, vegetables and milk. The Soviet Union takes second place in the world in the production of machine-tools, oil and gas and cotton. The Soviet Union is appreciably ahead of the United States in the production of cast iron, mineral fertilizer, cement, wood, sawn timber, textiles and granulated sugar, and it exceeds the United States almost three times in fish catch. The Soviet fleet of metal-cutting machine-tools and forge-and-press equipment is nearly one and one half times as large as the American fleet.

What has enabled the CMEA countries to move to the forefront of the world economy? This is largely due to the new, socialist type of international division of labour which has emerged within the socialist community and which is characterised by complete equality of the partners and by the planned and stable nature of their foreign trade relations.<sup>1</sup> Since 1950, for in-

<sup>1</sup> The indisputable advantage of stable trade and payment relations such as those that exist between CMEA countries is obvious especially when contrasted with the upheavals experienced by the capitalist currency system. Thus, compared with the 1958 level, the purchasing power of the currencies of the leading capitalist countries dropped at the end of 1973 to 67.1

stance, reciprocal trade has accounted for 60 per cent of the CMEA's foreign trade turnover. This has been due to the advantages of long-term planning of foreign trade.

Industrial cooperation, scientific-technical exchanges, joint utilisation of material and financial resources in a number of key economic sectors and the establishment of an efficient international transportation system—these are some of the main directions of cooperation among the CMEA countries.

In the guidelines for the 1976-1980 period adopted at the 29th Session of the CMEA (June, 1975), reciprocal trade turnover among CMEA countries in the latter half of the 1970s is to increase more than 50 per cent (in 1974 prices) compared with the 1971-75 period. Practice has shown that CMEA plan targets are usually exceeded.

The Session adopted a plan of integration measures providing among other things for the building of additional production capacities worth roughly 9,000 million transferable roubles or about 13,000 million dollars.

In the 1971-1975 period there were built in CMEA countries many new plants, factories, coal mines and electric power stations, including atomic power plants in Bulgaria and the GDR, a mammoth 5,000-cubic-metre blast furnace in the Soviet Union, as well as a high-production high-pressure polythene plant built jointly with the GDR, and electronic engineering factories in Bulgaria.

The economic strength of the CMEA countries is also seen in the capacity of their power industry. Although large power consumers themselves (their po-

per cent in the United States, 55.8 per cent in Great Britain, 62.0 per cent in France, 69.8 per cent in West Germany, 52.8 per cent in Japan, and 62.3 per cent in Italy. This downward trend continued in 1974-75.

wer consumption in 1974 came to almost 2,100 million tons of standard fuel), the CMEA countries, owing to their coordinated energy policy, have not been affected by the recent energy crisis and have moreover emerged as leading exporters of solid, liquid and gaseous fuel.

In this connection mention should be made of a report considered at the 29th CMEA Session on the further development of the fuel-and-energy base of the community members and on the idea of building a single energy system for interested members. This report makes it possible to appraise the levels of energy production and consumption in the CMEA countries up to 1990, to define the main problems in this area and map out solutions. The effort is thus continued to shape a coordinated long-term energy policy for further consolidating the fuel-and-energy base of the CMEA countries.<sup>1</sup>

The emergence of modern economic complexes based on large-scale mechanised industry in the CMEA countries has not only increased output, but has also raised labour productivity and the level of concentration and specialisation of production. Enterprises with a work force of 1,000 and more account for over 48 per cent of the total industrial output in Bulgaria, 66 per cent in Poland and 87 per cent in Czechoslovakia.

The economic growth of the CMEA countries has been accompanied by the elimination of wide gaps in their economic levels, inherited from the past. Thus the economic structures of the formerly less-developed countries have been modernised; their economy has been better equipped technically, and the standard of living in these countries has risen. The share of industry and

<sup>1</sup> Measures are studied for increasing utilisation of all kinds of local energy resources, extending the scale of geological prospecting for oil and gas, locating power-intensive industries close to raw material and power sources, and ensuring more effective utilisation of fuel and energy.

construction in the national income increased in the 1950-1973 period from 43.4 to 60.3 per cent in Bulgaria, from 35.1 to 55.4 per cent in Hungary, and from 40.9 to 63 per cent in Poland. All European members of the CMEA now manufacture electronic computers and have advanced chemical and petrochemical industries.

In the 1950-1970 period, the maximum disparity in per capita production of national income that existed within the CMEA decreased from 3.1:1 to 1.9:1; that in per capita industrial output decreased from 4.6 : 1 to 2.7:1; and that in per capita agricultural output, from 2:1 to 1.65:1. Scientific-technological development levels have also been brought much closer together, their maximum value, in per capita estimation, not exceeding 1.5:1 for the European CMEA countries. This makes possible more effective joint utilisation of the achievements of science and technology.

The disparity in the levels of production of national income per head of the population is currently much smaller between the European CMEA countries than between the United States and the developed West European countries, between these and the medium-developed Mediterranean countries, and between the United States and Japan, not to mention the disparity in the levels between the developed capitalist countries and the developing nations. The CMEA may therefore be regarded as one of the most uniform segments of the world economy.

The growth of their economic and scientific-technological potential has changed the conditions and scope of participation of the CMEA countries in international division of labour. Take, for example, the structure of their industrial export. The share of finished industrial products, such as machinery, plant and vehicles, fertilizer, rubber and building materials in industrial export has increased from 3.7 per cent in 1950 to 55.3

per cent in 1973 in Bulgaria, from 45.9 to 60.1 per cent in Hungary, from 0.9 to 11.5 per cent in Mongolia, roughly from 20 to 63 per cent in Poland, from 11.6 to 53.8 per cent in Romania, and from 57.7 to 74.4 per cent in Czechoslovakia.

The overall volume of exports per head of the population of the CMEA countries has increased almost seven-fold, from 16.3 roubles in 1950 to 110.3 roubles in 1973. In 1974-75 the volume of export grew still faster.<sup>1</sup> The per capita volume of export of Bulgaria, Hungary, the GDR and Czechoslovakia has become comparable with that of the more developed capitalist countries, traditionally foremost in world trade. In recent years the per capita volume of export of the CMEA countries has been higher than the world average, which reflects to a great extent the effects of inflation.

Under the impact of socialist economic integration the per capita foreign trade turnover of the CMEA countries is growing at a fast rate, having increased from an average of 159 roubles in 1970 to 281 roubles in 1974.

Here it should be pointed out that the Soviet Union accounts roughly for seven-tenths of the total population of the CMEA countries, and that it has an internal market of unparalleled capacity and nearly all the natural resources for meeting the needs of production and consumption.

The CMEA countries are leading exporters of machinery. They account for a fifth to a quarter of the world export of chemical plant and farm machinery and implements, and nearly half of the world export of rolling stock. The share of the socialist community

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<sup>1</sup> It should be noted that prices being much more stable in the CMEA market, compared with the world market, the volume of CMEA foreign trade tends to appear smaller than it actually is.

in world commodity export amounts approximately to ten per cent.

CMEA countries have considerable export capacities in many extractive and manufacturing industries and in agriculture. They include not only the Soviet Union, Czechoslovakia and the GDR which have had for some time advanced production facilities. Bulgaria, Hungary, Poland and Romania, too, have become major exporters of modern industrial products. Hungary, for instance, can produce almost ten times as many buses as it needs for home consumption. Poland's exports make up roughly 15 per cent of the total industrial goods sold, while for electrical engineering products and for chemical products the respective figures are 30 and 20 per cent.

The absolute and relative indices of commodity exports do not yet fully indicate the radical change in the CMEA countries' position in the system of international division of labour. One must take note also of such major spheres of foreign economic relations as technical assistance in the construction of factories and installations, scientific-technical exchanges, specialisation and cooperation in production, the development of international carrying trade infrastructure, credit operations and cooperation in the field of efficient utilisation of manpower resources.

Here, naturally, the usual yardsticks for measuring the intensity of international exchange are not always applicable. The level of scientific-technical cooperation, for instance, is assessed mainly from the volume of licensing operations, and the socialist countries' share in that is comparatively small. Nevertheless, this index leaves out of account other forms of the transfer of technology that are used by CMEA countries, such as the free exchange of scientific and technical documents and cooperation in research and development. With these taken into account, the CMEA countries' contri-

bution to the international scientific-technical exchange increases several times.

Socialist economic planning enables all the CMEA countries mutually to adjust their economic structures and the types of goods they produce, coordinate their short- and long-term policies, and jointly prepare and carry out major production and technological development programmes.

Until now, however, these possibilities have not been fully utilised. This refers both to the extent to which they have been made part of the world turnover and to the problems associated with the pattern and effectiveness of foreign contacts. Implementation of the Comprehensive Programme of Socialist Economic Integration helps to eliminate a certain discrepancy between the size of the CMEA countries' economic potential and the extent and effectiveness of their participation in international division of labour.

The fact that CMEA trade with developing countries and industrialised capitalist countries is rapidly increasing proves that socialist integration, contrary to the predictions of some Western writers, does not lead to regional self-insulation. Indeed, in carrying out the tasks outlined in the Programme, the CMEA countries create the material prerequisites for intensifying their economic cooperation with the rest of the world.

Practice has shown that the CMEA countries can make the most contribution to worldwide division of labour in the industries and lines of production that were launched or modernised by joint effort, above all with the help of specialisation and cooperation in production.

The same is true of economic-organisational prerequisites. For example, the International Bank of Economic Cooperation which handles payments in transferable roubles between CMEA members also helps extend payment and credit operations between socialist

and capitalist countries. The aggregate volume of IBEC operations in the currencies of capitalist countries and gold increased from 23,600 million transferable roubles in 1971 to 58,200 million in 1974.

In the 1980s the material and technical base of the CMEA countries will become still stronger and the volume of their foreign trade will be still larger. By 1990, the volume of reciprocal trade within the CMEA may be expected to increase 5-8 times given a mean annual growth of 9 to 12 per cent, even irrespective of the accelerating effect of the integration measures yet to be carried out.<sup>1</sup>

The record is impressive. But that is not all. Of decisive significance are the far-reaching changes which will advance mutual cooperation between socialist states to an essentially new stage, enhancing their positions and influence in the system of world economic relations.

## ECONOMIC RELATIONS BETWEEN THE CMEA COUNTRIES AND WESTERN EUROPE AT THE PRESENT TIME

Although comparatively recent, the improvement in economic relations in Europe is already yielding results. Trade between European socialist and capitalist countries is now increasing rapidly. Its average annual rate of increase is one and one half times higher than that of world trade as a whole.

Economic cooperation with West European coun-

<sup>1</sup> In 1972, the volume of reciprocal trade of the CMEA countries (including Cuba) amounted to about 41,800 million roubles. In 1974, the foreign trade turnover of the Soviet Union alone was practically equal to that amount, coming to almost 40,000 million roubles.

tries helps the socialist countries to satisfy more fully their demand for certain raw materials and intermediate products. The CMEA countries have lately been importing more manufactured consumer goods from Western Europe, the proportion of such goods in the total CMEA imports from Western Europe reaching almost 60 per cent.

Socialist countries increasingly buy from Western Europe machines, plant, patents and technological processes for the chemical, machine-building, metal-working, computer and the pulp and paper industries and the light and food industries. Plant and machinery account for about 40 per cent of the imports of socialist countries from West European countries.

Trade with the European socialist countries is coming to play an ever greater role in the economic life of Western Europe. This trade so far accounts for a comparatively modest share (approximately five per cent in 1973-74) of the total volume of trade turnover of the West European countries. But it would be incorrect to assess the significance of business relations between Eastern and Western Europe by their present level. First, there are considerable differences in the share of East-West trade in the trade turnover of individual countries. Second, East-West trade will grow, as shown by a series of business agreements concluded in the 1970s.

West European countries buy from socialist countries relatively large quantities of a number of finished products, coal and coke, oil and petroleum products, round and shaped timber, manganese, nickel, apatite concentrates, etc.

For many industrialised countries of Western Europe trade with the socialist states has become an important factor in promoting the growth of production and technological progress and in raising the employment level. At present East-West trade creates jobs for

at least two million persons in the capitalist countries. Export trade with socialist countries has become the main stimulus for the development of some modern-type industries in West European countries.

In view of the unstable situation in the world capitalist economy, the markets of the CMEA countries, developing according to plan, come to acquire a particular significance as a stabilising factor. Of course, economic relations with socialist states cannot eliminate the shortcomings inherent in the capitalist system. But often economic cooperation with the USSR has made it possible to keep factories busy and reduce unemployment in capitalist countries at times of recession, and thus has helped to relieve the plight of working people there.

Even some of the West German newspapers which a few years ago doubted that Soviet-West German trade was possible and desirable, today have to acknowledge that trade with the USSR and other socialist countries helps to prevent the rise of unemployment in the FRG. And no wonder. The big orders for large-diameter pipes for the Soviet gas industry are providing jobs for thousands of workers of Mannesmann (AG). Soviet foreign trade organisations have established business relations with Siemens (AG), Otto Wolff, Hoechst and other firms. The number of West German companies trading with the Soviet Union has already reached 1,500. For them, doing business with the Soviet Union means being provided with orders over a long period of time.

Implementation of the Soviet-Finnish agreement on the building of a pulp and paper integrated mills at Svetogorsk (USSR) provides jobs for a great number of Finnish workers at a time when the volume of construction work in Finland is decreasing owing to a general business slump. For building the second part of the mills about 1,800 workers will be needed. Since much

of the material for the Svetogorsk project will come from Finland, it will keep in employment approximately as many workers in Finland itself. There is every reason to expect that an agreement will soon be reached on other joint Soviet-Finnish industrial projects.

At the same time Western Europe provides a market for many goods produced in socialist countries. The world markets for some goods—e. g., certain kinds of equipment, timber, fuel and some foodstuffs, ores and metals—could not exist or develop normally without socialist countries' participation.

The course pursued by the USSR and other CMEA countries combines a constructive approach to the settling of urgent international problems and maintenance of normal and, wherever possible, good relations with capitalist countries with firm rebuff to those inclined to dictate. "Owing to this course, and to a more realistic policy conducted by many Western countries, one can say with satisfaction that relations between the Soviet Union and most of the fraternal socialist countries and the principal powers of the capitalist world are entering a state which may be considered more or less normal and consistent with the principles of peaceful coexistence and equal and mutually beneficial cooperation," Soviet Minister of Foreign Trade N. Patolichyev wrote in one of his articles in April, 1975. In 1974, the developed capitalist countries accounted for approximately 33 per cent of the total foreign trade turnover of the CMEA countries, compared with 24 per cent in 1970. Certainly, this figure reflects to some extent the recent increase in prices in world commodity markets. According to the figures of the International Monetary Fund, prices in trade between developed capitalist countries increased more than 90 per cent in 1971-74. The price index of trade between CMEA countries over the same period underwent no substantial change.

It should be pointed out, however, that increase in trade turnover depends above all on the further extension of international division of labour with the capitalist countries, conclusion of bilateral agreements with most of them, the real increase in the exchange of commodities, and elaboration of new forms of large-scale economic cooperation over a long period of time.

From 1960 to 1970 the volume of trade between CMEA member countries and the EEC increased three times. At present, West European countries account for over 20 per cent of CMEA foreign trade.

Mutual trade between CMEA members and the countries of Western Europe accounts for 85 per cent of the total volume of business transactions between the socialist countries and the Western world. About two-thirds of the trade turnover between Western Europe and the CMEA countries falls to the share of the FRG, Italy, Britain and France.

Economic relations between CMEA countries and France are developing rapidly. Today France is a major trade partner of the Soviet Union. Over the past ten years trade between the two countries has increased more than four-fold. The five-year Soviet-French trade agreement for 1970-1974 has been fulfilled. The volume of trade during this period more than doubled. During the working meeting of L. I. Brezhnev, General Secretary of the CPSU Central Committee, and French President V. Giscard d'Estaing at Rambouillet an agreement was signed on Soviet-French economic cooperation for the 1975-79 period. The two sides agreed to double, and if possible, treble the volume of trade during these years.

There are new possibilities of Soviet-French cooperation in mechanical engineering, in the production of alumina and aluminium, chemical goods, telephone exchange equipment and baby foods, in the development of mineral deposits in the USSR, including oil

and gas, and construction of hotels and other facilities in connection with the 1980 Olympic Games to be held in Moscow.

Economic relations between France and other CMEA member states are also developing at a fast pace. In 1971-74, Hungarian exports to France increased by 94.2 per cent while imports from France into Hungary increased by 88 per cent. At present these countries have 24 cooperation agreements on the production of electrical engineering equipment, metal-cutting machines, computers, and light industry products. In 1974 trade between Czechoslovakia and France increased four-fold. Czechoslovakia's exports to France rose perceptibly after measures were taken by France to liberalise imports, which apply to 80 per cent of Czechoslovakia's exports to France.

The FRG is the biggest trade partner of the USSR among the European capitalist countries. The political prerequisites for it were created by the USSR-FRG Treaty signed in 1970. Compared with 1970, in 1974 trade between the USSR and the FRG more than quadrupled. In the past years, the deliveries of Soviet passenger cars, sawn timber, cotton fibre and some other goods to the FRG have increased (both in physical and value terms). The Soviet Union has begun to export natural gas to the FRG. In the same period West German companies have more than trebled the shipment of machines, equipment and transportation facilities to the USSR, and have considerably increased the deliveries of steel pipes, plastic materials and dyes. The volume of Soviet-West German trade could be increased still further. For example, the Soviet Union could export many times the current volume of engineering products and machine tools to the FRG and could in turn buy more from West Germany with earnings from the sales of Soviet finished products to West German firms.

Various forms of long-term cooperation are being

worked out between the USSR and the FRG. There is increasing trade in patents, licences and technical documents between the two countries, and contacts are growing between West German companies and Soviet foreign trade organisations.

Today economic contacts between the Soviet Union and West Germany are a major component of the powerful currents of détente and equal cooperation which, Leonid Brezhnev said at the Conference on Security and Cooperation in Europe, had increasingly determined the trend of European policies in recent years.

Trade between the FRG and other CMEA countries is also growing. In 1971-74, for instance, trade between the FRG and Poland increased four-fold, reaching 5,000 million West German marks. In 1974 alone, imports by the FRG from the socialist countries increased 27 per cent, and its exports to the socialist countries increased 47 per cent.

Economic relations between the USSR and Austria are expanding. A fresh impetus to cooperation between the two countries was given by the ten-year Soviet-Austrian agreement on economic, scientific-technical and industrial cooperation, concluded on February 1, 1973, and the programme worked out on its basis, signed on July 3, 1973. The joint-stock Danube Bank has been opened in Vienna. Under the existing agreements, the Soviet Union supplies natural gas to Austria. Soviet-Austrian cooperation in mechanical engineering, ferrous metallurgy, the chemical industry, electrical engineering, the food industry, forestry and the pulp and paper industry is developing successfully; the two sides also exchange patents and licences. The Soviet-Austrian Commission studies proposals for joint projects and promotes cooperation and trade between the two countries.

A good example of mutually profitable and fruitful cooperation between countries with different social sys-

tems is provided by business relations between the USSR and Finland. In 1971-74, trade between the two countries almost trebled. In 1974, the Soviet Union and Finland concluded yet another, their sixth, five-year agreement on trade and payments (for the 1976-1980 period). Under the agreement, the volume of business is to double, compared with the previous five years.

Italy is traditionally one of the main trade partners of the USSR among the Western countries. In 1971-74 trade between the two countries increased 140 per cent. Italian businessmen have often shown a realistic approach to trade with the Soviet Union. Conclusion of long-term agreements and contracts has become part of business relations between Soviet foreign trade bodies and Italian firms. Contracts have been signed, for instance, under which the Soviet Union will deliver oil and gas to Italy, uranic ore from Italy will be enriched at Soviet plants, and Italy will supply large-diameter pipes to the USSR.

A new form of Soviet-Italian cooperation is represented by agreements concluded between the Soviet Union and the Italian firm Montedison Co. and the Italian state trust ENI, under which Italy will participate in the construction of chemical product plants in the USSR. The Soviet Union will pay for the Italian equipment on a compensation basis, by supplying Italy with a part of the output of these plants.

Favourable opportunities for expanding trade between the Soviet Union and Great Britain have opened up following the recent visit to the USSR, in February, 1975, of British Prime Minister Henry Wilson, and the conclusion of a number of agreements on developing British-Soviet cooperation in the political and economic field.

The countries of the socialist community are also developing business relations with Japan, the United States and many other countries.

Existing forms of economic relations between socialist and capitalist countries are being improved and new forms are being worked out. As was noted at the Conference on Security and Cooperation in Europe, industrial cooperation today in a number of instances takes forms that go beyond the limits of ordinary trade. It was pointed out in this connection that given the parties' mutual interest, cooperation in the area of production may be furthered by joint production and sale, specialisation in production and sale, construction, expansion and modernisation of industrial enterprises and cooperation in building industrial complexes with a view to receiving a part of the goods made by them, sharing production experience, technical information, patents and licences, and joint industrial research within the framework of concrete cooperation projects.

A growing number of inter-governmental agreements and long-term contracts have been concluded between socialist and capitalist countries on cooperation between individual factories and trading firms in production and trade (i. e., on joint manufacture and sale of industrial products), in setting up in a number of countries mixed companies (chiefly ones dealing with sale), in selling and buying licences, in carrying out jointly design and construction work, and in conducting joint scientific research in various fields. Whereas in 1968 there were 150 industrial cooperation agreements signed between European socialist countries and capitalist companies, in 1970 there were already 200 such agreements; at present their number approaches 700. Most of the agreements concluded by CMEA countries with capitalist countries are in the field of mechanical engineering, the chemical industry, the manufacture of transportation equipment, electronics and electrical engineering. Such agreements account for about 50 per cent of all UN-registered agreements on industrial and scientific-technical cooperation.

Among the CMEA countries, Hungary and Poland have the greatest number of agreements with West European states. There are almost 200 agreements on cooperation between Hungary and the FRG. They are short-term agreements involving comparatively small sums, amounting to a total of about 120 million marks. In experts' view, new long-term agreements could be concluded.

Agreements on joint production or sale of goods and services or on joint scientific research can be divided into three kinds. Agreements of the first kind are concerned with cooperation in trade and finance or in science and technology within the framework of interstate agreements. Examples of this are the joint work carried out by the USSR and France in the field of colour television and their joint nuclear physics research conducted with the aid of the Serpukhov particle accelerator.

Agreements of the second kind are those concluded between foreign trade organisations of the socialist countries and Western companies. An agreement of this kind has been concluded between Soviet foreign trade bodies and FIAT concerns on the building of integrated car factories in the city of Togliatti in the Soviet Union. A similar agreement has been signed by FIAT and Polish foreign trade bodies.

Agreements of the third kind are those on general contacts between socialist enterprises or industrial amalgamations and foreign private or state-owned companies.

Although industrial cooperation with developed capitalist countries is of definite advantage to CMEA countries,<sup>1</sup> there are certain problems involved which spring above all from differences in the socio-economic

<sup>1</sup> Estimates show that expenditure for every per cent of increase in labour productivity under industrial cooperation is roughly one half the expenditure required otherwise.

systems. Thus, to some capitalist companies the main problem is control over the production activities of their partners in CMEA countries. And there are problems associated with the payment of licence fees, with arbitration, and so on. All such problems must be dealt with jointly.

A number of CMEA countries have recently carried out economic measures enabling them to increase their scientific-technological exchanges with their West European partners; the measures have also made it possible for scientific and industrial organisations of socialist countries to show greater initiative in establishing and promoting business relations with foreign companies. The economic development plans of a number of CMEA countries provide for the purchase of foreign licences as part of their national science policy.

There are tens of successfully operating mixed East-West companies. Thus the Soviet-Belgian "Nafta" company has for more than seven years been selling Soviet petroleum products to Belgium and other West European countries. "Nafta" has well-equipped oil storage facilities in Antwerp, Liège and Brussels. It has numerous petrol carriers, tankers and a network of pipelines and pumping equipment. The company occupies a prominent place among Belgian commercial institutions.

Other Soviet-Belgian companies include "Scaldia-Volga" set up ten years ago, which sells Soviet cars, machine tools and forge-and-press equipment in Belgium, the "Ferchimex" joint-stock company which sells Soviet fertilizers, "Russalmaz", and the "Elorg" company which processes information for Belgian companies with the help of Soviet computers.

In Britain there are Soviet-British companies selling and servicing Soviet road-building machines, excavators and heavy lorries, and Soviet instruments and cinema, photographic and radio equipment. The

French-Soviet "Actif-Avto", established in 1966 in France, has the exclusive right to import and sell the products offered by the Soviet "Traktoroexport" which exports tractors and farm machinery. A similar Soviet organisation, "Stankoimport", and the Milan company FAMO have set up "Stanitaliana", a mixed joint-stock company to promote reciprocal trade in machine tools and other industrial equipment.

Other mixed companies established in West European countries include a French-Czechoslovak company which sells Czechoslovak machine tools in France, and "Metalex-France", a Polish-French enterprise which sells equipment and tools.

The European socialist countries attach special importance to long-term bilateral trade agreements—West European and CMEA countries have concluded a large number of five-year trade agreements. Long-term trade agreements lend stability to economic relations, which is indispensable to planned economies.

Of special importance for promoting mutually beneficial economic relations are permanent inter-governmental commissions which handle practical and long-term questions of trade, economic, scientific and technological cooperation between socialist and capitalist countries.

Long-term bilateral trade agreements, as has been noted by the Secretariat of the UN Economic Commission for Europe (ECE), are a major instrument for the promotion of trade. They help estimate trade possibilities, set conditions for trade for 3-6 years ahead, and provide a basis for negotiations on the signing of yearly protocols defining the exchange of commodities between partners for a term of one year. In 1960, according to data of the ECE Secretariat, there were 23 long-term East-West agreements in operation; by 1968 the number had increased to 75, and at present it approaches the optimum, which is set at 91. Long-term

agreements help to simplify economic planning. They are a starting point for adopting other measures including the signing of agreements on concrete forms of economic cooperation. For example, the long-term agreements signed by the USSR with France, Italy, Austria, Sweden and Denmark provide for measures to liberalise imports from the USSR.

Broad agreements on economic, scientific and technological cooperation between socialist and West European countries, as well as exchange of personnel, holding of joint scientific conferences, symposia and seminars, and so on, have lately come to play an increasing role in promoting their economic cooperation.

The inter-governmental agreements on economic and scientific-technical cooperation signed in the last few years between a number of East and West European countries provide for exchange of information, visits by scientists and experts, including work for long periods at laboratories, universities and factories of the other country, lectures and consultations by foreign specialists, joint research including joint development of new machines and technologies which will be jointly patented and sold on domestic and foreign markets. The agreements also provide for exhibitions of goods by government agencies or individual organisations and companies, the purchase and sale of licences, technological equipment and instruments. The organisational mechanism of scientific-technical cooperation consists of inter-governmental commissions and mixed working groups dealing with separate industries.

The USSR and Great Britain have signed a Long-Term Programme for the Development of Economic and Industrial Cooperation and a Programme for Scientific and Technological Cooperation. These provide for cooperation in the building industry, expan-

sion and modernisation of industrial establishments in the USSR and Britain, promotion of industrial co-operation including joint production, expansion of the exchange of goods and services, and cooperation in building factories in the USSR on a compensation basis.

In October, 1971, the USSR and France signed an Inter-Government Agreement on Developing Economic, Technological and Industrial Cooperation. The Agreement envisages cooperation between the parties in building industrial complexes in the USSR and in France, and their mutual obligation to further the participation of Soviet bodies and French companies in carrying out the current and future economic development plans of the two countries. On the basis of the Agreement, a joint programme was drafted for extending Soviet-French economic and industrial co-operation over a ten-year period. It is the first concrete long-term programme for developing economic contacts that has been agreed on by a socialist country and a major West European power.

This programme includes dozens of large-scale industrial cooperation projects which are of benefit to both sides, many of which are already under way. Thus, French companies supply equipment for drying gas and purifying it of sulphur at the Orenburg integrated gas works. The Ust Ilim timber industry complex will be supplied with French equipment for pulp production, while France will receive a part of the output. Renault, the French state-owned company, is participating in the construction of the Kama auto works; it takes part in designing the factory which will be one of the largest in the complex and which will make diesel motors.

European cooperation is naturally not limited to the industrial and scientific-technical fields. At the Conference on Security and Cooperation in Europe it

was agreed that there should be contacts in the fields of culture, education and information, and that such contacts should be based on the principle of sovereign equality, which means the observance of the laws and rules of states, and on the principle of non-interference by one state into the affairs of another. Such cooperation will promote the cultural growth of European nations and better mutual understanding between them.

The extending process of détente creates ever more favourable conditions for all-round cooperation in tourism. In 1974, 209 million persons in the countries of socialist community took excursion trips. Their travelling expenses amounted to 28,000 million dollars (in comparable prices).

The Soviet Union and other CMEA countries support tourist exchange with foreign countries as a means of extending friendly contacts and mutual understanding and of strengthening peace and cooperation. In accordance with plans, the number of trips by foreign visitors to the USSR and by Soviet citizens abroad will almost double every five years. Large numbers of tourists are expected to visit Moscow in 1980 for the Olympic Games. Many more foreign tourists will visit the USSR to attend art festivals, international congresses, exhibitions and fairs.

During the past few years new first-rate hotels, motels and camping grounds have been built in many Soviet cities and towns, making it possible to accommodate much larger numbers of foreign tourists as well as provide better services and a greater choice of itineraries. More hotel facilities are being built in 35 cities and towns including Moscow, Leningrad, Kiev, Sochi, Yalta, Tbilisi, Khabarovsk, Irkutsk and Urgench. Much is being done to reconstruct and modernise existing hotel facilities.

Broad and diversified relations have been estab-

lished between the Council for Mutual Economic Assistance and UN bodies. The CMEA has numerous links with the UN Secretariat, the Economic and Social Council, the UN Commission on International Trade Law, UN regional commissions, and the UN Conference on Trade and Development. The CMEA countries, which attach great importance to détente in Europe and the whole world, have made an effort to establish contacts with the UN Economic Commission for Europe, which they regard as an organ of European cooperation capable of promoting the development of economic relations between countries, regardless of their social systems.

Of late, there has been closer cooperation between the CMEA and the ECE on environmental protection. Cooperation has long been established between the two organisations on the conservation of water resources. Their cooperation in solving transportation problems is assuming ever more concrete forms. Joint measures are being studied to standardise rolling stock, to introduce automatic coupling, ensure high-speed traffic on railways, develop and reconstruct the network of international motor ways and increase traffic safety.

The greater interest in CMEA activities shown by other countries and international bodies is evidence of the growing prestige of the Council for Mutual Economic Assistance and of the serious political changes occurring in the world thanks to the general improvement in the international political climate. The process of détente, which is developing successfully, creates favourable circumstances for the reorganisation of international relations in the economic field as well. The CMEA contributes to the normalisation of these relations, to the establishment of the principles of equality and mutually beneficial cooperation. This is confirmed by the decision of the 29th UN General

Assembly Session granting to the Council for Mutual Economic Assistance the status of observer.

At the same time, however, it should be noted that the socialist and capitalist European countries have so far barely explored the possibilities for mutual cooperation; they have merely started to remove the economic barriers erected in the cold war years. Before World War II, for instance, West European countries had sold to Eastern Europe ten per cent of their total exports, against the present four-five per cent.

That there are at present broad possibilities for extending cooperation on the European continent was stressed with particular force by Leonid Brezhnev at the European Conference on Security and Cooperation. He said: "The document that we are to sign is a broad but clear-cut platform of unilateral, bilateral and multilateral actions of states in the years and, perhaps, decades to come. What has been achieved, however, is not the limit. Today it is the maximum possible, but tomorrow it should become the starting point for further advance along the lines charted by the Conference."

## PROSPECTS FOR EUROPEAN COOPERATION

The CMEA countries are consistently calling for the further development of international division of labour on an all-European basis. The Declaration on Peace, Security and Cooperation in Europe, adopted by the socialist countries on January 26, 1972 in Prague, states: "Multiform mutually advantageous relations among the European states in the economic, scientific, technical and cultural fields, in tourism and environmental control are bound to develop widely in the conditions of peace. The development of these

relations, in turn, adding material content to the striving of the European peoples for peace, tranquillity and prosperity, will consolidate the stability of the system of security and cooperation taking shape in Europe."

Cooperation in Europe and the prospects of its further development are, of course, closely bound up with the prevailing political climate. From this point of view it would be hard to overestimate the role of the Conference on Security and Cooperation in Europe in gaining recognition for the new political and economic realities obtaining on the European continent, and the principles which should serve as a basis for relations between states with different social systems. The countries of socialist community fully share the conviction expressed in the Final Act of the Conference that the growing world economic interdependence calls for more effective common efforts to solve such world economic problems as the food, energy, raw material and currency problems. Everything should be done to further the development of stable and equitable international economic relations. This will promote steady and all-round economic progress of all countries.

In the present situation it is also possible to use more fully and consistently than ever before the opportunities for cooperation in Europe. And such opportunities are vast in practically every branch and field of modern economy.

International trade is an important factor in economic growth and social progress. The exchange of manufacturing output between the countries of Eastern and Western Europe could be greatly increased. These countries possess an immense manufacturing potential which has not, so far, become a determining factor in their economic relations. Manufactures ac-

count for about 40 per cent only of their total trade turnover.

There is much talk in the West these days about the "technological incompatibility" of Eastern and Western Europe. This idea is totally unfounded. It is well known, for instance, that finished products have in the past few years accounted for about 50 per cent of the exports of CMEA countries to such industrially advanced countries as the United States and Canada. This is nearly one and one half times higher than the figure for CMEA export of finished goods to Western Europe.

It may be expected that as the agreements already concluded are carried out and the exchange of information between the partners improves, the manufacturing industry, and first of all mechanical engineering, will become a major field of cooperation in Europe.

The present trend in world trade attaches relatively little importance to prices and production costs and lays greater emphasis on the sophistication and variety of products, on quality, new technological processes and innovations, i.e., on factors associated with advanced scientific research and technology. Thus one of the best ways to improve the structure of trade between the CMEA and Western Europe is to establish highly specialised industries based on the latest achievements of science and technology.

In the coming decade or two, the tendencies in the world economy toward further increasing the scale of mass production, integration of industries, diversification of industrial goods and greater research spending will no doubt continue. This will raise the efficiency of international specialisation of industry and co-ordinated industrial and scientific research. It is something no modern industrialised country can afford to ignore.

In future, the European economy could acquire an integrated character, with the individual national economies complementing one another. European socialist and capitalist countries could develop whole industries designed to satisfy mutual needs over long periods.

Within the framework of European cooperation, conditions could be created making it possible to co-ordinate the long-term investment policy of individual European countries on a sectoral basis. The result would be a more efficient system of specialisation of industry on the European continent.

At the present rate of capital investments, the industrial potential of the European socialist countries will double in less than a decade. Capital investments are also being increased at a fairly high and stable rate in most West European countries. This could mean that, theoretically speaking, in the next 10-15 years Europe would have built up an economic potential which would be equal to its present potential, but which would be based on a system of inter-country specialisation of industry, providing conditions for efficient large-scale production at national enterprises and for close cooperation between them.

At present there is a keen competition between the industries of West European countries. They are also faced with competition from American and Japanese companies. And this competition will become sharper as the technological revolution develops further, with some industries and economic areas in West European countries inevitably stagnating unless new possibilities are created for them to keep up and expand their production activities. Within the Common Market, for instance, the level of per capita income varies sharply from one economic area to another; in some areas it is currently seven times higher than in others. Given greater opportunities for cooperation in

production and sale on an all-European scale, whole industries and large enterprises in Western Europe would be less vulnerable to competition and consequently would have a much better chance of survival.

Economic cooperation in Europe could also become a major factor in optimising economic patterns in the industry of the smaller West European countries which do not wish to belong to economic blocs. For these countries, which need to maintain economic independence in order to preserve their political neutrality, European cooperation affords a better opportunity for specialising along lines that are most consistent with their industrial traditions.

One of the most promising directions of European cooperation is the pooling of efforts of individual countries in solving Europe's fuel, energy and raw material problems.

In the Final Act of the Helsinki Conference it is pointed out that energy resources, particularly oil, natural gas and coal, and the extraction and processing of mineral raw materials, particularly iron ore and bauxite, represent suitable fields for long-term economic cooperation and for expanding trade.

Owing to natural conditions, Europe's main resources of progressive types of fuel and industrial raw materials are located in the Eastern part of the continent. It is not surprising, therefore, that West European investors should be increasingly interested in taking part in the development of the rich deposits of non-ferrous and rare metals and resources of chemical raw materials, natural gas and oil there.

West European business circles are obviously interested in the possibility of their technological and financial participation in a number of highly promising projects in the USSR and other socialist countries. In the Soviet Union, a trans-European gas main-

5,000 kilometres long and with a capacity of 30,000 million cubic metres of natural gas a year—is now being built with the participation of West European companies. When completed it will increase the supply of gas to socialist countries, and will also convey annually, in the 1970s, 4,500 million cubic metres of gas to Austria, 6,000 million cubic metres of gas to Italy, 2,500 million cubic metres to France, and more than 7,000 million cubic metres of gas to West Germany. The USSR-Finland gas line was put into operation in 1974. The project of a USSR-Sweden gas line is now under study. By way of comparison, it may be noted that in 1970 the Common Market countries imported a total of 18,500 million cubic metres of gas.

Under a plan for French-Soviet cooperation, five integrated plants processing natural gas will be built in the Soviet Union. The French company Pechiney is taking part in the construction in the USSR of an industrial complex which will annually produce one million tons of alumina and 500,000 tons of aluminium. Negotiations are in progress on the participation of several French companies in developing the Udokan copper deposits in Eastern Siberia. The French side is ready to supply some of the equipment necessary for the project and, by way of compensation, to buy copper from the Soviet side when the project is completed.

The industrial projects in socialist countries, in which West European partners could participate on profitable terms, are of such great size as to call for multilateral instead of bilateral cooperation. By Western estimates, the Udokan project, for instance, will cost 2,000-2,500 million dollars and should be worked out on the basis of multilateral credit and technological agreements between socialist states and Western international consortia.

The fact that there are unique possibilities for co-

operation on super-large projects does not, however, mean that economic contacts with socialist countries hold out no prospects to small or medium-sized West European companies. Italian industry, for example, which consists mainly of small and medium-sized enterprises, stands to gain most, in its economic relations with Eastern Europe, by following the strategy of concluding a large number of small-scale deals.

In their turn, socialist countries could take an active part in carrying out some West European economic programmes which are important for Europe's economic development in the long run. Western Europe is notably short of electric energy. At Helsinki an interest was expressed by many countries in organising an exchange of electric power in Europe that would ensure the most efficient utilisation of existing power plants, as well as in joint exploration of new energy sources and cooperation in atomic power engineering.

One of the most economical ways to increase electric power production in Western Europe is to build a network of atomic power stations. But it is obviously difficult and unprofitable for individual countries, especially the smaller West European countries, to manufacture the necessary plant and equipment for this purpose. The Soviet Union, on the other hand, and other CMEA countries have sufficient research and industrial facilities in this field, and these could be successfully used within the framework of pan-European cooperation.

The CMEA countries have amassed a wealth of experience in uniting national electric power systems and building connecting transmission lines. This experience may serve as a sound basis for organising an efficient power supply system on the European continent.

Joining together the energy systems of Europe, for

instance, would enable European countries to use each other's idle power capacities, taking advantage of the time-difference in peak loads, and would increase the share of electric energy deliveries in European trade. Power generation in Europe doubles every eight-ten years. It is technically quite possible to join the European power grids by highly powerful transmission lines, and this would be beneficial for all European countries.

It would make power supply more reliable and less costly. It is well known that the parallel operation of energy systems that are joined together is the more economical, the more powerful these systems are and the more their generator plants differ in design. The flow of energy between European power grids may be reversed during 24 hours; i.e., first energy will flow in the West-East direction, and then in the opposite direction.<sup>1</sup>

"The agreements we have reached increase the possibilities for the peoples to exercise a greater influence upon so-called 'big politics'," Leonid Brezhnev emphasised in his speech at Helsinki. "At the same time, they also touch upon everyday problems. They will contribute to improving the life of people, providing them with work and expanding educational opportunities. They are concerned with care for health, in short, with many things affecting individuals, families, youth and different groups of society."

The countries of the socialist community are displaying broad initiative in facilitating contacts bet-

<sup>1</sup> If one considers merely the exchange flows between energy systems due to differences in their maximum loads, and emergency supply under reciprocal utilisation of reserves, one arrives at the conclusion that there could be a saving of about 20 million kw by 1980, and about 38 million kw by 1990, or more than the present power plant capacities of France, for instance.

ween individuals and furthering exchanges in culture, education and science between the European countries.

The food industry is another vast field in which the countries of Eastern and Western Europe could cooperate. As is known, the CMEA countries have managed to improve food consumption a great deal. The consumption of many foodstuffs (e.g., butter and vegetable oil, vegetables, fish, milk and dairy products, etc.) in the CMEA countries is higher than in developed West European countries and in the United States.

The CMEA countries are carrying out extensive economic and social programmes which will lead to a further improvement of the living standards of the people. This will enable them to contribute more effectively to the solution of the world food problem.

European cooperation in the field of food production should not, of course, be limited to trade in agricultural raw materials and food. Such trade—especially when aimed at efficiently utilising the differences in the natural and geographical conditions of individual countries and at providing a wider choice of foodstuffs for people—will undoubtedly be of importance in future as well.<sup>1</sup> However, cooperation in this field will probably put increasing emphasis on an improvement of farm machine production, the chemical industry, and scientific research in order to raise the efficiency of farming and modernise the food industry.

<sup>1</sup> The possibilities in this field are considerable, as shown by the activities of the Soviet organisation "Tsentrosoyuz" within the framework of the International Cooperative Alliance. It maintains contacts with cooperatives in 90 countries, including all the countries of Western Europe. In 1974 its foreign trade turnover amounted to approximately 1,500 million roubles (about 2,000 million dollars).

There are vast possibilities for European cooperation in technological research, design work and exchange of know-how.

The scientific potentials of Western and Eastern Europe are, to a great extent, mutually complementary. The experimentation and production facilities of Western Europe, for instance, and its good business contacts on the world market could help to solve many major scientific-technological problems in the CMEA countries and to launch the joint manufacture and sale of new and promising science-intensive products. And the scientific results and new instruments and equipment developed in West European countries could be tested in the Soviet Union and other CMEA countries. It is also obvious that broad common effort by West and East European scientific research centres, both national and international, would be of great advantage to all concerned.

The purchase and sale of licences for new equipment and technologies are a promising field of East-West scientific and technological exchange. They are an important factor in accelerating scientific-technical progress, making it possible to avoid duplication of research efforts and thus save time and money.

The socialist countries are in a position both to buy and sell technical know-how on the world market. Their achievements in science and technology have won international recognition. Business circles in the West closely follow developments in the scientific field in the socialist countries and readily buy their patents, licences and technological processes. Mutually profitable trade in licences and know-how is becoming an important and highly promising field of scientific-technical cooperation between countries of Eastern and Western Europe. The development of licence trade also leads to an increase in reciprocal deli-

veries of machines, equipment, raw materials and technical services.

An objective assessment of the achievements of East and West European countries in science and technology suggests that a substantial increase in the exchange of licences, know-how, instruments and industrial plant may be expected in the near future. The scientific and technological potential of the Soviet Union and other CMEA countries is considerable. At present only a small part of it is drawn upon in CMEA's foreign trade, especially with the Western countries. The value of the reserve of inventions and innovations in the European CMEA countries which could be profitably introduced in industry comes to about 2,400 million roubles a year.

About 36,600 inventions were put to use in the CMEA countries in 1972, which exceeds the number of inventions patented that same year in such advanced Western countries, as Great Britain (10,100), France (10,800), and Italy (7,600) put together.

Great possibilities are present also for European cooperation in the fields of standardisation, metrology, scientific-technical information and patenting. Well-organised cooperation in these fields will not only strengthen scientific-technical links throughout the continent but will also promote industrial and trade contacts in Europe, and help develop far-reaching scientific, technological and industrial cooperation and work out common measures and projects in communications, transport, raw material supply and the manufacturing industry.

Scientific-technological forecasting may become a promising field of European cooperation. Reliable forecasting as regards the prospects of the scientific-technical revolution and its impact on production patterns and economic growth rates and the social consequences of economic growth should be of interest

to all European states. They could agree on certain basic methods of scientific-technical forecasting, share their experience in this field and prepare some forecasts jointly. This would improve the work of forecasting in general and could serve as a starting point for defining the principal directions and forms of co-operation in science and technology on an all-European basis.

The growing economic ties between Europe's East and West, the emerging tendency towards broader business contacts between them and the increasing scope of cultural exchanges in Europe call for greater European cooperation in the field of transportation.

A certain amount of cooperation already exists in this field. For instance, the countries of Eastern and Western Europe take an active part in the work of the Inland Transport Committee of the UN Economic Commission for Europe and of its working groups concerned with different kinds of transport. The programmes of the Committee and its working groups on railway and road transport deal with such problems as the development of combined transport involving different forms of conveyance (including container transport); acceleration of railway traffic; complex development and reconstruction of trunk roads and lines; increasing the handling capacity of the main kinds of transport with the aid of computers; fitting the entire rolling stock with automatic couplers; comprehensive mechanisation of loading and unloading operations; implementation of measures to promote automobile transportation; modernisation and standardisation of vehicles, and so on.

Joining the Rhine with the Danube via the Main will result in a trans-European waterway 3,500 kilometres long, stretching from the North to the Black Seas. Today Europe's railways have great difficulties in coping with its freight traffic, and the highways

are crowded. The new waterway will change the traffic pattern on the continent. It will run from Rotterdam to Ismail along the territory of the Netherlands, the Federal Republic of Germany, Austria, Czechoslovakia, Hungary, Yugoslavia, Romania, Bulgaria and the Soviet Union. Belgium, France, Luxembourg and Switzerland are also situated near the canal zone.

Motor transport, too, is important for economic contacts. The Soviet Union's Chief Department of International Road Communication, Sovtransavto, has been in operation since October, 1968. Its cars carry cargoes to France, the FRG, Austria, Italy, Belgium, Holland, Denmark, Finland and other countries of Western Europe. Sovtransavto actively cooperates with Western freight companies. Together with John Nurminen Oy (Finland), Linjebuss/ASG (Sweden), and Gondrand (Italy), it has organised a regular service between the corresponding countries and the USSR.

Business relations between Eastern and Western Europe are being developed in the field of air transport. Today there are regular flights between practically all CMEA and West European countries. The Soviet Aeroflot is prominent among the airlines of CMEA countries. Its planes fly to more than 60 countries of the world, including many European countries.

European cooperation in air transport also covers intercontinental transit traffic. An important international air line is the Trans-Siberian Air Route connecting Paris, London, Copenhagen, Amsterdam and other European capital cities with Japan. The route, which passes through Moscow, saves much time compared with other airways.

Organisation of transit traffic from Western Europe to the Far East represents another area where all-European cooperation would be desirable. The Swiss company MAT-Transport, for instance, has been re-

gularly dispatching container trains ever since 1969 from Switzerland via Eastern Europe to the Soviet port of Nakhodka, where the containers are put on ships and sent on to Japan. Other West European countries, too, are beginning to use the trans-Siberian traffic bridge to ship cargoes to Japan (British companies, for example). It takes 45 days to ship cargoes in containers from Japan to Western Europe by sea, and only 35 days over the trans-Siberian trunk line.

The Siberian trunk line is almost wholly electrified (with the exception of a few sections between Baikal and Khabarovsk on which diesel traction is used). This ensures sufficiently fast movement of container trains. The port of Nakhodka is equipped with trans-shipping facilities so that containers can be transferred from the railway on to ships quickly. The construction of the Baikal-Amur trunk line (BAM) will afford new possibilities in this area.

Joint environmental protection measures occupy an important place in the system of European cooperation.

In many European countries, a number of renewable natural resources have nearly been depleted. They include not only the forests but also water the quality of which is steadily deteriorating. This, and the increasing pollution of the European seas caused by effluents, oil, etc., and especially air pollution, are threatening the ecological balance on a scale covering the whole of Europe or large parts of it. It becomes necessary for all European countries, capitalist and socialist, to combine their efforts and solve such problems, which cannot be solved on a national basis.

The CMEA countries pay great attention to protection of the environment. Elaboration of measures for the conservation of nature is among the more important points of multilateral scientific-technical

cooperation under the Comprehensive Programme of Socialist Economic Integration. At present 112 major research projects in this field are being carried out with the participation of 360 research institutes and design organisations in the CMEA countries. An extensive programme for cooperation between the CMEA countries and Yugoslavia in environmental protection for a period up to 1980 is now being drawn up. The need to protect the environment is taken into consideration in the carrying out of all major joint projects of regional significance. For example, in the exploitation of the Danube, consideration was given not merely to its power capacity in connection with the building of a hydroelectric station at the Iron Gates, but also to the improvement of navigation and the irrigation of farmland.

In the field of nature conservation, the CMEA countries have begun to develop contacts with each other and also with capitalist and developing countries. The USSR and other socialist countries believe that progress of science and technology is not necessarily destructive to the natural environment and the maintenance of normal conditions of life, as asserted by some Western experts who propose the idea of "zero growth" for the developing countries. Adverse effects on the environment can be avoided if the necessary protective measures are taken jointly. To do this is every nation's sacred duty to future generations.

So it is obvious that the countries of Eastern and Western Europe have practically unlimited opportunities for developing equal and mutually beneficial cooperation.

Estimates show that at the present rate of economic exchange, the volume of trade between the socialist and capitalist countries of Europe will by 1980 amount to 36,000-40,000 million dollars (at current

world prices); trade between the USSR and West European countries will amount to about 12,000 million dollars by 1980. It is possible, however, that the economic relations between the socialist and capitalist countries of Europe will undergo a qualitative change. This could happen if the positive political changes on the European continent were consolidated still further and a range of urgent economic problems of European cooperation were successfully solved.

### IMPROVING THE ECONOMIC MECHANISM OF COOPERATION IN EUROPE

Development of cooperation on an all-European basis depends not only on the general political climate in Europe, but also on the solution of numerous problems associated with relations between countries with different socio-economic systems. It is essentially a question of creating the necessary economic, organisational and legal conditions for an expansion of trade and economic links between the East and the West of Europe.

So far, the level of trade between the socialist and capitalist countries falls short of the partners' potentialities. Together, these countries account for about 90 per cent of the world industrial output. But trade between them comes to no more than a few per cent of the world trade turnover. Moreover, the flow of goods from the West to the East consists of one-fifth of primary products and four-fifths of manufactured goods, while half the goods imported by the Western countries from East European countries are primary goods. This situation is made even less tolerable by the fact that, as mentioned earlier, industry occupies no less important a place in the economic po-

tential of the CMEA countries than it does in the developed capitalist countries.

The countries of the socialist community lead the world in the scope of scientific research. The problems existing in this area are associated with the differences between the socio-economic systems of European countries and with concrete forms and methods of international cooperation that these differences call forth.

One set of problems is of a more fundamental nature. They reflect the qualitative difference in the principles of the functioning of the socialist and capitalist economic systems.

The socialist countries are characterised by the state organisation of the economy. This means that the production and distribution of all goods and services in the country, including those involved in international trade, are subject to a single state plan and are regulated by the state. In the West European countries economic activities are carried out mainly by private companies. Consequently, in the context of European cooperation there arises the question of establishing and maintaining regular and extensive contacts between state and private organizations.

The difficulties springing from this are by no means insuperable. In the socialist countries there exists a sufficiently flexible system of foreign trade and other bodies capable of maintaining contacts with foreign partners of the most diverse levels as regards the scope and field of operations. In the West European countries, on the other hand, there exists a fairly well-developed system of state protection of international operations by private companies. It should also be noted that in the past few years a large proportion of business between West European countries and their foreign partners has been handled by state-owned companies.

The West European press tends to overemphasise the difficulty of establishing contacts with socialist countries on a "microeconomic" level, in particular with respect to industrial cooperation. Indeed, cooperation and contacts between industrial establishments and companies of the Common Market countries are more developed than are similar relations between the economic organisations in the CMEA countries. And this is easily explained. Many companies in Western Europe were established long before the Common Market was formed, and there existed traditional contacts between them. Besides, Western Europe has had an additional "integrator" of a kind in US capital and in the multinational corporations. The economic ties between the countries that are now CMEA members, on the other hand, were first established merely 25 years ago, practically speaking. In 1938 the Western capitalist countries accounted for 86 per cent of the foreign trade turnover of Bulgaria, Hungary, Poland, Romania and Czechoslovakia, while trade between these countries accounted for 12-13 per cent, and their trade with the USSR for only one per cent.

At the same time, if we analyse the state of international cooperation between companies inside the EEC, we shall find that its level hardly surpasses that of cooperation existing between the industrially developed countries in general. Cooperative ties between industrial enterprises and economic organisations of the CMEA countries, on the other hand, have lately been developing at a swift pace, receiving a fresh impetus from the Comprehensive Integration Programme. This provides the prerequisites also for extending cooperation with West European industrial establishments and companies.

Extension of economic cooperation in Europe requires above all the removal of trade barriers. In

their appeal, To the Peoples, Parliaments and Governments, issued in May 1975, the CPSU Central Committee, the Presidium of the USSR Supreme Soviet and the Government of the Soviet Union states their determination to spare no efforts to help establish in the practice of international relations the principle of peaceful coexistence of countries with different social systems and the principle of intensive development of mutually beneficial contacts in the fields of the economy, science, technology and culture. Whether these principles can be carried out on the European continent largely depends on the state of relations between the countries belonging to the CMEA and the EEC.

Economic relations between European countries are developing in the conditions of a gradual formation in Europe (and, in the case of the CMEA, also beyond it) of large integrated communities—the Council for Mutual Economic Assistance and the European Economic Community. Integration processes in Europe are bound up with the objective tendencies which mark the development of modern productive forces and scientific-technological progress, and from this point of view they reflect, though in different socio-economic forms, the global process of the internationalisation of industry and trade.

It is, nevertheless, obvious that the integration processes in the East and West of Europe are of a different political and socio-economic complexion. In the present situation, these processes do not have the same meaning for Europe's future.

While it is true that internationalisation of economic life is the common material basis of these integration processes, it does not follow that they are identical with the basis itself. It is impossible to speak of integration processes outside a concrete economic

context. When we look at actually existing economic communities, it becomes evident that we have to do with different economic phenomena.

In this connection, too, there arise some problems of East-West economic relations in Europe, both owing to the profound difference between the socio-economic nature of the two integration processes and to the actual state of East-West economic relations, their structure, scope and growth factors being first in importance.

The Council for Mutual Economic Assistance was set up to coordinate the efforts of the socialist countries in carrying out their national development plans, to promote specialisation and division of labour between these countries and join together their industrial and research facilities for the purpose of solving major economic problems of common interest. By its character the CMEA is a non-exclusive organisation whose activities do not clash with the interests of any third countries in any area.

Members of the Council for Mutual Economic Assistance do not seek to fence themselves off from other countries by putting up economic and trade barriers, whether in the form of tariffs or in any other form. They have always called for the widest possible international cooperation and the removal of discrimination in trade in any form. The Comprehensive Programme points out that the CMEA member states, in accordance with their policy of peaceful coexistence for the sake of social progress, and proceeding from the fact that the organisation of international socialist division of labour takes into consideration world division of labour, shall continue to develop economic, scientific and technological contacts with other countries, regardless of their social and state systems, on the basis of the principles of equality, mutual advan-

tage and respect of sovereignty. The communique released by the 25th CMEA session held in June 1971, stresses that any country, to which the principles and terms of cooperation effective within the CMEA are acceptable, may join in the implementation of the Comprehensive Programme.

Within the past ten years Mongolia and Cuba have joined the CMEA, while Yugoslavia has extended its participation in many CMEA bodies. The CMEA has also concluded cooperation agreements with Finland, Iraq and Mexico. Argentina and Colombia have expressed their readiness to cooperate with the CMEA.

State regulation of foreign economic relations in the CMEA countries and their large integrated projects afford additional possibilities for cooperation with capitalist countries if the latter are willing and able to enter such cooperation on an equal and long-term basis.

The policy and practice of the CMEA countries in foreign economic relations clearly indicate that they have no desire to put up any kind of economic barrier between themselves and Western Europe or use any discriminatory restrictions against other European countries. In pursuing their integration policy the members of the CMEA have shown a greater concern for a peaceful and constructive future for Europe than the West European powers have.

The growing trade between CMEA countries and industrial capitalist and developing countries shows that socialist economic integration does not lead to insulation of CMEA countries and that their cooperation with one another is no obstacle to the development of active economic contacts between them and other international exchange zones. As the measures outlined in the Comprehensive Programme are put into effect, the material prerequisites will be created for intensifying

the economic ties of CMEA countries with third countries, including those of Western Europe.

Practice shows that the CMEA countries can most effectively participate in world division of labour in those industries and lines of production which have been built or modernised by joint effort, above all on the basis of specialisation and cooperation in production.

A. N. Kosygin, Chairman of the USSR Council of Ministers, said: "We cannot allow our countries to become economically dependent on capitalist countries. At the same time we are not seeking autarky; we are not trying artificially to isolate our economies, to refrain from establishing economic ties with other countries. Not only is autarky economically unprofitable, but it could, today, have the worst possible consequences, foredooming such states as would embark on it to being inevitably left behind. We intend, just as before, to promote mutually beneficial trade and other economic relations with all countries really prepared to extend business contacts with the socialist world."

Of course, economic integration of any kind involves a certain measure of isolation of the economic activity of the countries concerned, keeping it within the integrated community. Such isolation is, however, not of the same nature in the case of the CMEA and the EEC. While the EEC countries favour collective protectionism, the CMEA countries are building up their community not only so that they may solve purely internal problems, but also in order to be able to participate more actively and more effectively in world division of labour.

The European Economic Community has been from the start an exclusive group with a distinctly anti-socialist bias. At present there are indications that this group may gradually become less exclusive with respect to the neighbouring Western states and at the

same time turn into a close economic and currency union—and quite possibly in the future also a military-political union—of a group of West European powers.

With countries of Eastern and Western Europe concluding large-scale agreements on cooperation, these agreements should provide for normal terms of trade, not infringing on the rights and interests of the socialist countries.

The exclusive, discriminatory character of the European Economic Community not only has an adverse effect on East-West trade, but also makes European division of labour less effective than it could be.

Progress in the division of labour between Eastern and Western Europe can be achieved, of course, only if the Western markets are open to exports from the socialist countries and all discriminatory restrictions are lifted, and cooperation agreements are concluded over much longer periods of time. Neither side can afford to have an adverse balance of payments for long. Socialist countries, as well as capitalist countries, cannot go on buying without selling about as much. The socialist countries can import more from Western Europe only if they can sell more of their products on the West European markets.

The Common Market pursues a discriminatory policy in the field of customs duties towards all third countries. The Soviet Union and other socialist countries are often subjected to special discriminatory measures, particularly quantitative restrictions on imports. An example of that is the Common Market's levying additional countervailing duties and taxes on foodstuffs exported from or originating in socialist countries. The ECE Secretariat admits that the unequal duties in the agricultural sector, protectionist restrictions on quantity and quality standards represent even more formidable restrictions than tariffs.

The policy of setting up artificial barriers to trade with socialist countries cannot, of course, hold back their economic progress. As often as not, the policy of discrimination and restrictions proves to be unprofitable for the very countries practising it since it further complicates such problems as marketing of products and unemployment faced by these countries. Thus it is not surprising that in the late 1960s some West European countries should have to some extent liberalised trade with the socialist countries. The more sober-thinking Western businessmen have begun to see that discriminatory policies often harm their own countries above all.

But the liberalisation measures effected so far are of a limited nature and have not removed all trade barriers. Import licensing and quotas are still in effect for those goods which the socialist countries could sell in appreciably greater amounts, and so are the "strategic" bans which prevent the export of certain products to the socialist countries.

Under the present rules, the EEC Council of Ministers may set much lower import contingents for farm produce from socialist countries than the so-called estimated quantities applied for other countries, or may raise the compensation tariffs.<sup>1</sup>

Another form of abuse of the right to trade is dumping, which, Lenin wrote, means that "within a given country the cartel sells its goods at high monopoly

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<sup>1</sup> The licensing rules operating in West European countries restrict purchases from the socialist countries of Eastern Europe to a greater extent than purchases from other countries. The FRG, for instance, allows unlicensed or control-free imports from members of the Organisation for Economic Co-operation and Development (OECD) and parties to the General Agreement on Tariffs and Trade (GATT), while all imports from the CMEA must be licensed and, furthermore, are not to affect adversely home production and prices.

prices, but sells them abroad at a much lower price to undercut the competitor, to enlarge its own production to the utmost, etc."<sup>1</sup> Developed capitalist countries readily resort to dumping in the guise of "free trade" to win new markets and suppress rival industries. Dumping gravely undermines the economy of the countries against which it is practised.

On the other hand, under the sham pretext of dumping control, many Western countries often frankly pursue protectionist and discriminatory trade policies, particularly towards socialist and developing countries. For this purpose they use so-called dumping duties. Formally many countries introduced these high customs duties in the tariffs as a means of protection from dumping. In truth, however, these duties are often used by government agencies concerned with foreign trade policies to restrict imports which are undesirable in their view, when actually there is no dumping involved at all.

It is common knowledge that the socialist countries have always firmly rejected dumping which is a means of monopoly struggle for markets. This old trick, used to disguise protectionism, has not been discarded. In the practice of world trade dumping is increasingly condemned.

The formation of a mutually advantageous commodity structure of East-West trade in Europe is also affected by the considerable difficulties experienced by foreign trade bodies of socialist countries in selling industrial products on West European markets.

All this shows that it is not easy to surmount the economic barriers between the CMEA states and Western Europe by purely business methods. That is why the CMEA countries are seeking such forms of Eu-

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<sup>1</sup> Lenin, *Coll. Works*, Vol. 22, p. 290.

ropean cooperation as would make it possible to reorganise it on a mutually advantageous basis.

It would, however, be utterly wrong to view East-West economic relations as a game in which only one side stands to gain. The socialist countries have enough to offer on their part. But, it would not be out of place here to underline the objective fact that cooperation with the West, however important, is still only a supplementary factor in the scientific, technological and economic growth of the CMEA countries. These countries build key modern industries, increase the scale of fundamental and applied research and raise and diversify the production of consumer goods mostly by mobilising their internal resources, and they can do so more readily thanks to their policy of economic integration. Integration will evidently continue to be the main line along which the socialist countries' participation in world division of labour will develop. Previous experience clearly shows that, should the worst come to the worst, and should there be no alternative, the socialist countries of Europe have all they need to achieve rapid economic and technological growth by relying on their own strength and mutual assistance.

This does not imply that the CMEA countries do not care to develop equal and mutually profitable relations with the West European countries. The East-West economic ties on the European continent are of an objective nature. East-West trade and all-round economic, industrial and scientific-technical cooperation promote economic, scientific and technological progress in all countries and are a reliable material guarantee of good relations between states.

European economic cooperation is beneficial both to the East and the West of Europe. But to make it work, the partners should trust each other; there should be stable relations between them, and care should be taken that the relations are not disrupted. It is a fact,

however, that in the past Western powers had repeatedly broken off economic relations with socialist countries for political reasons. Some people are still trying to use economic relations as a means of bringing pressure to bear on socialist states, of applying discriminatory measures against them. All this naturally creates obstacles to developing cooperation on an all-European basis. Even so, there is no reason to regard these obstacles as insuperable.

The common cultural heritage of the European nations, their historical and geographical nearness, and the diversity of natural resources and high level of industrialisation and of science and technology in most European countries, both East and West, afford limitless possibilities for international cooperation in various fields of human activity.

The policy of peaceful coexistence of states with different social systems, of the optimal use of the opportunities afforded by international cooperation and division of labour, has been consistently adhered to by the socialist countries. Lenin said that close economic ties between countries effectively contribute to peace; often enough they make rival powers forget their quarrels which could lead to political explosions and conflicts. In 1922 he said: "...the most urgent, pressing and practical interests that have been sharply revealed in all the capitalist countries during the past few years call for the development, regulation and expansion of trade with Russia. Since such interests exist, we may argue, we may quarrel, we may disagree on specific combinations—it is highly probable that we shall have to disagree—this fundamental economic necessity will, nevertheless, after all is said and done, make a way for itself."<sup>1</sup>

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<sup>1</sup> Lenin, *Coll. Works*, Vol. 33, p. 265.

The interests of European cooperation call for more extensive financing of East-West trade in Europe. This means that the rules of financing commonly observed in world practice should be consistently applied to East-West trade.

In the late 1950s and early 1960s, only individual firms in West European countries extended credits to the socialist countries, and with few exceptions for terms not exceeding five years. Such credits enabled the socialist countries to increase their imports, above all of machinery and plant. Commercial credits of this kind, however, are inadequate in financing the growing imports by socialist countries of machinery and plant from Western Europe.

Long-term credits have created additional possibilities for stable and mutually advantageous cooperation between the socialist and capitalist countries of Europe. On this basis, large and profitable contracts have been concluded. The capitalist countries wishing to import certain raw materials and other products from the USSR and other socialist countries supply the latter with machinery, plant and different materials on the basis of long-term credits granted by banks, which are partly to be repaid with industrial goods.

The use of forms of financing which are accepted in world practice and are more convenient to the parties in East-West trade attests to a further normalisation of East-West business relations, opening up new possibilities for their expansion. Representatives of Western business circles consider these new tendencies highly promising. In East-West business relations, the West German magazine *Wirtschaftswoche* noted in September 1971, a level of confidence has again been reached which, within certain limits, makes financial transactions of a classical style possible. In this way, the magazine continues, the unquestionable first-rate paying capacity of the East European countries, which

has been proved in the field of commerce, is extended to the sphere of finance as well.

According to *Wirtschaftswoche*, "the prospects of development of international credit-and-finance relations with Eastern Europe in the 1970s consist in the turning of medium-term into long-term financial credits and more government loans".<sup>1</sup>

The development of new promising forms of economic cooperation between European capitalist and socialist countries is accompanied by the growing scope of financing and by a change in its forms and methods.

Of late, for example, transactions on a compensation basis have been widespread. Within the framework of such transactions, the partners jointly carry out programmes for developing natural energy and raw material sources in some areas which have so far been little developed economically. Industrial companies and banks grant long-term credits with which the plant and materials needed for a project can be obtained. The credits are repayable in part with the output of the project. Such cooperation naturally confers no right to own the industrial establishments or other projects in the construction of which the credits were used.

To expand trade and business relations between the East and West of Europe it is also necessary to solve a number of currency problems connected with international payments, which arise from the fact that the socialist and capitalist states use different international currencies which are not convertible into each other.

As a member of the Bretton Woods Conference, the Soviet Union, in 1943-44, contributed to the setting up of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). It soon became clear, however, that these international bodies failed, owing to their structure, to

<sup>1</sup> *Wirtschaftswoche*, No. 47, November 19, 1971, p. 29.

ensure equal rights to all members, with the result that neither the IMF nor the IBRD was able to promote equal cooperation in the fields of currency and finance. For that reason, the Soviet Union did not ratify the Bretton Woods agreements.

Subsequently the socialist countries, members of the CMEA, set up a currency system of their own. Their system of payments is based on the transferable rouble which is not a national but collective monetary unit. Receipt of this currency depends on the real exports of commodities and services, i.e., it is covered by easily realisable commodities.

With the founding of the International Investment Bank the transferable rouble, formerly confined to foreign trade, entered the field of capital investment. Over a period of five years, the IIB has granted 41 credits on the basis of joint financing of capital investment. The credits were granted for the building, reconstruction or enlargement of chemical plants, electrical engineering factories, automobile plants, machine-building factories, factories and mills in light industry and the food industry and railways in member countries.

The Soviet Union obtained credit for the construction and exploitation of a gas line running from Orenburg to the western frontier of the USSR. Credits were granted to Bulgaria for the construction of factories producing stone tiles and knitwear; to Poland, for the construction of an iron and steel works and a factory producing automatic machine tools; and to Cuba, for the construction of a group of factories processing citrus fruit. In April 1974, an agreement was signed on the fundamental principles of cooperation between the IIB and Yugoslavia. Under the agreement, credits will be granted not only in the currencies of capitalist countries but also in transferable roubles. Such are the first but highly important steps made by the Bank in the field of capital investment.

## CONCLUSION

The Conference on Security and Cooperation in Europe has been a success. Reason has triumphed, and this will be of benefit to all mankind. The Conference discussed a wide range of problems ranging from political issues bearing on European security and difficult economic questions, including those concerned with the most favoured nation status in trade, to humanitarian questions, to questions of contacts between individuals and organisations.

The agreements reached by 35 countries on safeguarding European security and on cooperation in Europe are particularly significant because they were arrived at not through some conference members imposing their views upon others, but through a consideration of different opinions and interests and common consent. The assertions of the enemies of détente that the promotion of European cooperation signifies a "retreat" for the West and that the search for ways to achieve a lasting peace in Europe, on which world peace depends to no small extent, is nothing more than "work-

ing for the Russians", have proved groundless. This is how Leonid Brezhnev appraised the results of the Conference in his speech: "This is a victory of reason. Everyone has gained: countries of East and West, peoples of socialist and capitalist states—parties to alliances and neutrals, big and small. It is a gain for all who cherish peace and security on our planet."

Indeed the Conference may be said to represent the crowning stage of all the positive developments that have taken place on the European continent so far. At the same time it has provided a starting point for the subsequent movement of Europe towards new horizons. The Conference decisions must now be followed by concrete actions.

The foundation of security and cooperation has been laid. The peoples of Europe expect the principles agreed on at the conference to be unswervingly observed and concrete steps to be taken to translate them into deeds.

The conference participants have stated their determination to continue the effort to strengthen security and cooperation in Europe. It has been decided to organise a further exchange of opinion both concerning the implementation of the provisions of the Final Act and the tasks mapped out at the Conference, and concerning the problems of the further development of détente. The first meeting of representatives appointed by Foreign Ministers will be convened in Belgrade in 1977. It will define the conditions for the holding of other meetings. In this way it is emphasised that in future, too, joint efforts by all European countries should be carried out in accordance with the principles stated in the Final Act of the Conference, which has been justly described as a code of goodwill of the states, in accordance with the human and political needs of our times. It signifies the setting in motion

of a European mechanism of regular exchange of opinion between countries on urgent political and economic problems.

The Conference decisions concerned with economic relations will help to build up the material base of peace, promoting the free development of equal, mutually advantageous trade, industrial cooperation and joint effort in science and technology. Cooperation between the CMEA and the EEC and conclusion of pertinent agreements between them would be of major importance in finding solutions to all these problems.

The successful outcome of the discussions on security and cooperation in Europe clearly suggests that the experience of the Helsinki Conference at which 35 countries belonging to different social systems were able to reach agreement on the most urgent problems of our time, can and must be used to promote the interests of the peoples of other continents.

A system of collective security and cooperation is needed in Asia. After the Second World War had ended, Asia has been a scene of incessant military conflicts, some of them threatening to develop into world conflagrations. This was so in South-East Asia, and it is still so in the Middle East. These conflicts affect the destinies of hundreds of millions of people, Asia being inhabited by the larger part of the world's population. The Asian countries need peace and security so that they can develop economically and culturally, and eliminate the strong vestiges of colonialism.

Of course, it would be foolish to think that the European experience can be mechanically transferred to other continents and other regions of the world. Each continent, each region has its own specific features. This is only natural. The Conference on Security and Cooperation in Europe has proved that all problems, however complex they may appear, can be sol-

ved. It shows that the way to solve such problems is through peaceful discussion at the negotiation table, with full equality of the parties ensured and the common interests taken into account. It also provides the correct solution to the question of securing peace, that is, through collective effort. And lastly, it indicates the principles on which a system providing for the security of an entire continent should be founded.

The Final Act of the Conference is a comprehensive and clear-cut programme of action to be carried out by governments on a unilateral, bilateral or multilateral basis for a period of several years or perhaps decades. It encompasses a wide range of problems relating to the security of countries, to their good-neighbourly policies, to the promotion of mutually profitable trade, cultural cooperation and exchange of information.

For Europe that is all that can be done today. And the same must be done for the rest of the world. And as for Europe, things could get still better, and more quickly, if the countries on the continent will follow the spirit and letter of Helsinki, if they will extend peaceful cooperation between them, if all parties will regard the Final Act of the Conference as a starting point for building a peaceful Europe.

Future historians will doubtlessly describe this Conference as a turning point in European history, when the nations of the continent moved towards co-existence and peace. The results that have been achieved are significant and encouraging, but no one should feel complacent. It is now necessary to work hard to find solutions to all the urgent problems, or there could be no genuine and lasting security. Willy Brandt, Chairman of the Social Democratic Party of Germany, has said that he regards Helsinki as the beginning, and not the end, of the road to peace.

There is a growing desire among broad sections of

people in Europe for a strengthening of international détente, for the consistent implementation of the agreements reached at the Conference. The realistic approach shown by many Western political leaders today gives one hope that they would make a real contribution in this matter. There is increasing awareness in the West today that peaceful cooperation "between the two Europes", i.e., the transition from confrontation to the new possibilities of mutually beneficial cooperation between socialist and capitalist Europe, is what the continent needs in order to meet the demands of quick-changing life. This has been confirmed also in the speeches of Western leaders, including President Ford, President Giscard d'Estaing and Federal Chancellor Helmut Schmidt.

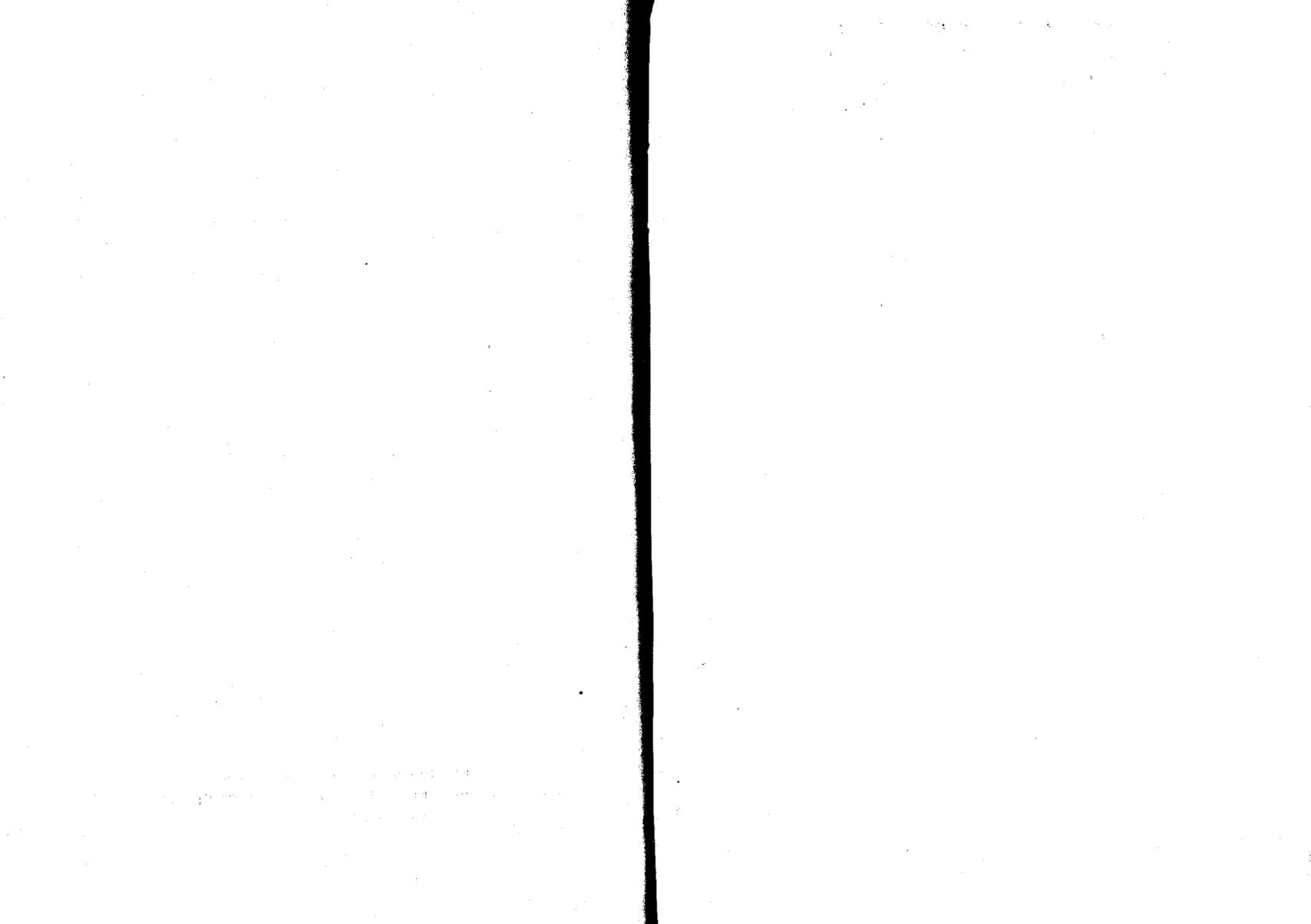
The popular masses, always exerting an active influence on the course of international developments, have an immense role to play in the struggle for the implementation of the agreements reached at the Conference.

The peace-loving forces on the European continent have always had the support of the Soviet Union and other socialist countries. Leonid Brezhnev said at the Conference: "Before this exceptionally authoritative audience we should like to stress most emphatically one of the inherent features of the foreign policy of the Soviet Union, of the Leninist policy of peace and friendship among nations—its humanism. The ideas of humanism pervade the decisions of the 24th Congress of our Party, the Peace Programme, one of the points of which was the convocation of an all-European conference."

While hailing the good results of the Conference on Security and Cooperation in Europe, one must not forget that every success is achieved through consistent struggle and persevering effort. And one shall have to

continue to fight and to work hard—to fight the opponents of détente, those who reject or distort the results of the Helsinki Conference, and to work hard to extend peaceful coexistence, for the sake of peace and human happiness.

Ю. Ширяев. А. Соколов  
СЭВ И ОБЩЕЕВРОПЕЙСКОЕ СОТРУДНИЧЕСТВО  
на английском языке  
Цена 20 коп.



THIS BOOK IS ABOUT THE ECONOMIC POTENTIAL OF THE CMEA MEMBER COUNTRIES, THE EXISTING FORMS OF ECONOMIC, INDUSTRIAL AND TECHNICAL COOPERATION BETWEEN THE CMEA AND WESTERN EUROPE, AND THE PROSPECTS IN THIS FIELD.

