

"Greater Europe" and the World

International Affairs (excerpted in translation below) proceeded from the standpoint of "Greater Europe" — from the Atlantic to the Urals. Toward first steps for institution of T-ruble financing through the CMEA banks, the Soviet authors stressed the potential of arrangements between the CMEA and the EEC as competent

negotiators for the two sectors of Europe.

The Soviet view is that even at current rates of expansion, East-West trade under present bilateral East-West arrangements is far under potential. The USSR also demands elimination of discriminatory tariffs, in order to maximalize trade and investments expansion over the whole continent.

'East-West Business Ties — Possibilities and Realities'

The following is excerpted from the article by economists Yu. Shiryaev and A. Sokolov in the Soviet monthly International Affairs, Russian language issue no. 1 for 1977. This journal also appears in English and French on a later schedule; the English edition will not carry this article until February 1977.

The countries of the socialist community are developing relations with states of the opposing system under conditions of détente, which creates possibilities for further expansion of these relations in the most diverse areas. The significance of the international division of labor is increasing for every country, irrespective of its wealth and level of economic achievement. The Soviet Union, like other states, is trying to make use of all the benefits which foreign economic ties provide, in order to mobilize additional potentials for solving its economic tasks, gain time for raising the efficiency of production and speeding up the progress of science and technology.

The significance of the division of labor in international life will grow even more in the future. Not only individual countries, however large and developed they may be, but even groups of countries are incapable of a fundamental resolution of such global problems as, let us say, raw materials or energy, food or ecology, mastering outer space or utilizing the resources of the oceans. These problems will increasingly affect the whole system of international relations and involve the interests of all of mankind.

In fact, if states of both systems develop mutual trade, participate in work on large-scale international problems, establish active cooperation in improving infrastructure, in the use of new types of energy, space exploration, questions of health care, defense of the environment, etc., this will lead to a growth in the economy of each of the cooperating countries and strengthen mutual trust and peace.

*Realities in the Framework
Of "Greater Europe"*

There exists a hefty material base for the further development of economic ties within the bounds of "greater Europe ..."

For several years now, trade between the socialist and capitalist countries of Europe has been one of the most

dynamically developing sectors of world trade. For example, while in 1970 the share of the 'Common Market' countries in the overall foreign trade of the socialist community was over 13 per cent, in 1975 it was closer to 25 per cent.

...The rapid rate of growth of trade with the capitalist countries is proof that socialist integration in no way leads to the isolation of the CMEA countries and does not present an obstacle to active, mutually beneficial business ties of the socialist states with countries of the opposing system. Moreover, to the extent that the provisions of the (CMEA) Complex Program aimed at raising the effectiveness and technological level of production are realized, the material preconditions are created for the intensification of economic ties of the CMEA countries with third countries, Western European ones in particular.

At the present time there exists a firm political basis for the further development of economic ties on an all-European scale.

*Forms of Business Relations and
Economic Strategy*

In the course of further development of economic relations between the socialist and capitalist countries an improvement of old forms and development of qualitatively new forms of such relations is taking place. Thus the Soviet Union and other countries of the community have long-term (usually ten-year) concrete programs of cooperation with several western countries, including mutual obligations to facilitate the realization of large-scale projects, the creation of mixed firms, etc.

Among the already realized projects are the gigantic trans-European gas pipeline from the USSR to Western Europe (5 thousand kilometers long and with a capacity for 30 billion cubic meters of natural gas per year), for which the biggest firms of the FRG, Italy, France and Austria took part in supplying equipment and pipe; the equipping and modernization of automobile factories in the USSR and other CMEA countries with the participation of Italian, French and West German companies; the construction of the Ust-Ilimsk cellulose factory by the CMEA countries with the participation of France in supplying equipment; the exploitation by the CMEA countries of ore deposits and the development of the oil-processing industry in Poland with technical and

financial participation of several western countries...

The majority of cooperative agreements concluded by the CMEA countries with western firms involves machine building, chemical industry, transport equipment, electronics, and electrotechnology.

At the same time, it must not be overlooked that such agreements still have many deficiencies. First of all their short-term nature and relatively small scale must be noted.

At the present stage, the Soviet Union and other countries of the socialist community are developing economic strategy for the long term, part of which is the development of major complex economic programs, intended for two to three five year plans. They encompass the fuel-energy sphere, metallurgy, the leading branches of machine-building, and food problems. The Programs are constructed taking into account progress in our own and world science and technology. Under these circumstances cooperation in the economy, science and technology, Under these circumstances cooperation in the economy, science and technology, productive cooperation between the socialist and capitalist enterprises must take on a much longer term and large-scale character, as representatives of western economic thought also affirm. There can be no doubt, wrote for example the French economists A. Faure and J.-P. Sebord, that the exploitation of deposits of raw materials and fuel in Siberia will lead to profound changes in relations between the Soviet Union and Western Europe which will mean the drawing closer and mutual-penetration of their economies.

Among the new forms of foreign economic ties which go beyond the bounds of 'traditional' trade, considerably expand our opportunities and are, as a rule, most effective, are compensation agreements, which make it possible to organically combine an equilibrium of obligations, mutual benefit, and close mutual ties between the interests of the partners on a long-term basis: industrial firms and banks of the capitalist states give credits, equipment, licenses, and the socialist countries repay the credits with part of the production from the new or existing enterprises.

In order to activate cooperation on a compensation basis, alliances of big banks are being created in Western Europe to finance exports to the socialist countries. Affiliates of banks of the CMEA countries are being created there, designated to extend credit for 'East-West' trade. At the present stage the conditions have matured for joint study by the Council for Mutual Economic Assistance and the European Economic Community of currency and financial questions, in order to find solutions which will facilitate a stable growth of trade, particularly by extension of credits by member countries of the two organizations on the most favorable terms possible.

The expansion of trade-economic relations between East and West in the framework of "greater Europe" presumes the solution of several problems of international transactions. This is due to the dissimilar character of the currency mechanisms used by the countries of the two systems. As is known, the Soviet Union in 1943-44 made a definite contribution to working out plans of the International Monetary Fund (IMF) and

the International Bank of Reconstruction and Development (IBRD), as participants in the Bretton-Woods conference. From the very start of the activity of these currency-finance organizations, however, it became evident that their functional structure did not ensure equal rights to all participants and that the IMF and IBRD could not be of help to international cooperation based on equal rights.

Subsequently the currency-financial system of the CMEA countries was created. Transactions between these countries rest on the foundation of the transfer ruble — not a national, but a collective currency, receipts of which are tied to real export of goods and services. A currency, that is, backed by real commodities. The system, created by the CMEA countries, of multilateral transactions in transfer rubles can play an extremely substantial role in the development of international economic cooperation, especially in the realization of various projects on a continental scale. The necessary technical and organizational capacities already exist today for including in the CMEA financial system interested countries of the other system, including Western European countries. The doors to the international banking institutions of the socialist countries — the International Bank for Economic Cooperation (IBEC) and the International Investment Bank (IIB) are open for all those who wish; any country whatsoever can become a member if it recognizes and fulfills the statutes of these banks. In 1975 the payments turnover among IBEC member countries reached nearly 67 billion transferable rubles, almost double the 1970 volume of transactions.

With the institution of the International Investment Bank the transfer ruble 'overstepped' the bounds of foreign trade and entered the sphere of capital investments. Although the IIB was created relatively recently in the five years of its activity 40 projects have been accepted and financed by the bank. Their approximate value exceeds 5 billion transferable rubles. The IIB gives credits both in transferable rubles and in freely convertible currency.

Potentials and Reality

While stressing the importance of development of cooperation on the European continent, the countries of the socialist community also call for development of all-sided economic ties with countries of other regions of the world. Despite the obvious positive results of cooperation between socialist and capitalist states, however, it still does not correspond to the potentials of the partners....

It can be noted that business circles of the West are trying to maintain a structure of trade which is favorable only to them, while the socialist countries, naturally, want both an increase in the volume of trade and a certain change in its structure: as was noted above, this still does not reflect the level of industrial development of the socialist states.

In actuality, while the trade flows from West to East are composed one-fifth of semifinished goods and four-fifths of industrial equipment, half of return purchases by the Western countries are of primary goods. But — and this should be stressed once again — industry in the CMEA countries plays no less important a role than it does in the economies of the developed capitalist countries.

In order to raise efficiency and improve the structure and balance of the Soviet Union's trade with the capitalist countries, the 25th Congress of the CPSU posed the task of developing export of those goods (including raw materials) which give the greatest currency revenues, and with this goal in mind ensuring a more thorough processing of goods designated for export. At the same time, the task was put forward of raising sharply the share of the manufacturing industry in the total volume of Soviet exports. In order to achieve this, it was decided to expand production of goods which enjoy widespread demand on foreign markets and to raise their competitiveness. As for imports they must to a greater degree be geared to the solution of the main tasks facing the socialist economy and raising its efficiency.

*The Differences in Economic Structure
and other Problems of Cooperation*

Prospects for 'East-West' cooperation depend, naturally, not only upon the general political climate, but also on the solution of other concrete problems. There are not a few of these. It is essentially a matter of creating economic, organizational and legal conditions for stimulating the expansion of trade-economic contacts, of calculating the objective factors of the "incompatibility" of the economic structures of the countries of the opposing systems.

The principled differences of the two socio-economic sectors of the world economy are compounded by technological and structural differences of the economic mechanisms of the states of the opposing systems. Under the conditions of the long 'cold war' period, the capitalist countries artificially limited both the overall volume of trade with the socialist countries, especially trade in machinery and equipment, as well as exchange of technology. As a result, technological progress in the countries of the two systems also went ahead to a large extent in isolation, by separate roads. All of this led to the "technological incompatibility" of many branches of industry and types of production (from the standpoint of types of machinery and equipment produced, technological processes used, technical and operative conditions, standardization, etc.)

There exists a certain incompatibility of the industrial structures as a whole, which manifests itself in cooperation between East and West, in the framework of "greater Europe" in particular.

Another factor that could be pointed out is the different level of fundamental and applied research in the socialist countries and in the states of Western Europe. Throughout the postwar period Western Europe was to a significant degree oriented toward utilization of borrowed technological ideas and technological solutions (primarily American). The Soviet Union and the other socialist countries relied on their own solutions and elaborations.

There is yet another group of problems of economic cooperation between East and West which has a special character, since it reflects the qualitative differences in the principles of functioning of the socialist and capitalist economic systems, that is to say the state and private enterprise forms of conducting foreign economic operations. It is precisely this side of things which those

people in the West constantly point to, who are trying to demonstrate the "incompatibility" of the socialist and capitalist methods of foreign economic activity. "The planned economies," states economist L. Brainard from Chase Manhattan Bank a little doubtfully, "are not able to control the on-going development of foreign trade ties as precisely as is frequently supposed."

Of course, foreign trade and other organizations of the socialist states are in a qualitatively different position than capitalist firms, since they carry out their activity in the framework of a national economic plan and under circumstances of state monopoly on the totality of foreign economic ties. They consequently cannot act, so to speak, "at their own risk," which such bourgeois critics as L. Brainard construe as a negative factor, a sign of harsh administrative regulation, bringing with it a lack of operativeness, flexibility, etc. But in reality, as follows from the analysis of the rules of socialist foreign trade enterprises, the boundaries of their operative independence are sufficiently great, and assertions like Brainard's are untenable.

What is more, planning of foreign economic operations means they are automatically guaranteed by the state, and this enables the socialist partners to conclude and realize, without obstacles, contracts that are essentially unlimited in their scale....

It is well known that to carry out many export-import operations, capitalist firms have in each individual instance to solicit licenses from state organizations which control trade policies. Furthermore, to the extent that the financing possibilities of individual firms are limited, they must take recourse to bank or state guarantees, which as experience shows is by no means always an easy thing to secure.

Thus the problems connected with the development of East-West economic relations are not at all so one-sided as the critics of the socialist economic method try to present them. Furthermore, the larger the scale of the operations, the more sharply the advances of the planned socialist economy appear.

In the West, difficulties connected with the establishment of contacts with the socialist countries on the 'micro-economic' level are also frequently exaggerated, especially in the sphere of industrial cooperation. In reality, if one looks, for example, at relations between enterprises and firms of the "common market" countries—the degree of development of cooperative and other ties is higher than between the economic organizations of the CMEA members. This is primarily explained by the fact that many companies in Western Europe have existed since long before the foundation of the "common market" and have extremely long traditions. Moreover, American capital played a role as a sort of "integrator" of Western Europe, where as economic ties within CMEA are hardly more than a quarter of a century old.

*Prospects for Cooperation
and Discriminatory Barriers*

The prospects for a deepening of economic cooperation between East and West depends decisively on the abolition of economic and trade barriers once and for all. It can easily be understood that a practical solution of

this problem on the European continent largely depends on the nature of relations between CMEA and EEC member countries. It must be admitted that in this area there exist significant difficulties, related to the different nature of the integrational processes taking place in the East and in the West of Europe.

Economic relations among countries are presently developing under conditions of the formation in Europe (and in the case of the CMEA — beyond the borders of Europe) of large integrational systems — the CMEA and the EEC. Both of the integrational processes in Europe are closely connected with objective tendencies in the development of modern productive forces and scientific-technological progress, and from this standpoint, they reflect — albeit in different socio-economic forms — a world process of internationalization of production and exchange. It cannot but be seen, however, that the integration processes in Eastern and Western Europe have not only dissimilar political and socio-economic forms, but different directions.

The policies and foreign economic relations practice of the CMEA countries is entirely devoid of the aspiration to impose any sort of economic barrier against Western Europe or to fence themselves off from the Western European states through a system of discriminatory restrictions. In essence, the CMEA countries have shown in their policy and continue to show more concern about a constructive solution of the problems of the peaceful future of Europe, than do the Western European powers.

The policy of artificial discriminatory restrictions in trade with the socialist countries, of course, cannot fail to slow the development of the national economies of the socialist countries. In many cases it is also extremely disadvantageous to the countries employing it, since it leads to an aggravation of their problem with markets, employment, etc. This is admitted by many businessmen from the West who conclude that discriminatory policies often come down hardest on the trade interests of the Western partners. But the measures of 'liberalization' adopted so far leave a long way to overcoming discriminatory barriers....

All this affects the interests of the socialist community countries since they produce approximately one-fifth of the grain and legumes in the world, 40 per cent of the sugar beets, one-fifth of the world's meat, half of the potatoes, a third of the milk, 20 per cent of the eggs, etc.

By these indicators, the CMEA surpasses the common market countries one and one-half to two times. A number of Western countries use the fabricated pretext of a 'struggle' with dumping — which the socialist countries are supposedly carrying out — to conduct an openly protectionist and discriminatory trade policy vis a vis the socialist as well as the developing countries. The mechanism for this is so-called anti-dumping taxes. A tax increase is introduced in the tariffs of many countries, formally as a means of defense against dumping. In fact, these taxes are often used when there is in truth no dumping taking place, but there is a desire on the part of state organs regulating foreign trade, to limit import of goods which are disadvantageous from their point of view.

The CMEA countries' proposal to conclude an agreement between the CMEA and its members on the one side and the EEC and its members on the other, was a new contribution by the countries of the socialist community to the further improvement of relations between European states which belong to different social systems.

Thus further significant progress in the international division of labor in the framework of 'greater Europe' will become possible when Western markets are open for the exports of socialist countries, discriminatory restrictions are lifted, and agreements on cooperation take on as long-term a character as possible. A prolonged disequilibrium of balance of payments is also impermissible — the socialist countries, just like the capitalist countries, cannot indefinitely make purchases without selling to approximately the same amount. The expansion of opportunities for realization of the production of socialist countries on Western markets is an important condition for the growth of their imports from the Western European countries.

At the same time, the countries of the socialist community oppose attempts of certain circles in the West to use foreign trade problems as a means of political pressure, by conducting the notorious 'selective policy' of peaceful coexistence vis-à-vis the CMEA countries. Trade, and broad production and scientific-technological cooperation ought to serve to accelerate the rates of economic growth, and economic and scientific-technological progress in all countries, and to be an effective means for the reliable material reinforcement of normal relations among states.