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CO-OPERATION BETWEEN THE GERMAN DEMOCRATIC REPUBLIC AND
DEVELOPING COUNTRIES IN PROMOTION OF INDUSTRIAL EXPORTS 1/

by

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1/ The views and opinions expressed in this paper are those of the consultant and do not necessarily reflect the views of the secretariat of UNIDO. The manuscript submitted by the consultant has been somewhat adapted to accord with the purposes of the meeting but has not been formally edited by UNIDO.

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In the economic relations of the socialist countries with developing countries it has become an important task, even the past few years, that is necessary to organize direct cooperation in the field of industrial production. It is manifest that a further increase in the volume of the foreign trade of our Republic with these countries will only be possible in the future if, apart from the hitherto prevailing multilateral forms of economic cooperation, immediate production cooperation between industrial branches or enterprises of the GDR and the respective developing countries is purposefully and consistently developed.

Although only preliminary practical experience prevails in the specific subject of this study - the direct production cooperation in industry - this preliminary experience nevertheless enables us to acquire a certain amount of knowledge and to draw conclusions which can be useful for the further development of successful economic cooperation between socialist and developing countries in this field.^{1/}

In the present study the following points will be discussed:

1. Objective and subjective pre-requisites for a successful cooperation in industrial production between the GDR and developing countries
2. Practical experience of the GDR gained so far in the field of production cooperation with developing countries
3. Some conclusions and recommendations for the further development and formation of these relations

^{1/} GDR economists have already published some articles and studies on this problem. The results of these studies will be evaluated, as far as possible, within the frame-work of this study. The authors of these studies are: C. Weiss, F. Hofmann, G. Brendel, J. Flose, G. Schmarschmidt, and W. Gertisch.

When examining these questions we shall confine ourselves to some of their most essential aspects although we are fully aware that other equally important problems cannot yet be considered within the frame-work of this brief study.

1. Pre-requisites and Conditions for a Successful Cooperation in Industrial Production between the GDR and the Developing Countries

The objective possibilities of direct production cooperation in the field of industrial production between the GDR and the developing countries quite generally result from

- the economic potentials and specific structure of the industrial production of the parties involved,
- the long-term requirements of development of their national economies, in general, and of their industrial sectors, in particular,
- the prevailing production relations in the respective countries,
- the character of their mutual political relations,
- the abilities of the state and economic bodies and officials of the countries concerned, who are responsible for the planning and practical materialization of the cooperation projects.

The GDR is a highly developed socialist industrial country. She ranks second after the Soviet Union in the volume of industrial output of the world socialist system, while in new capital production and labour productivity in the sphere of industry she is holding the first place. She possesses a multifarious, modern large-scale industry which is characterized by a great share of such dynamic industrial branches as machine building, electrical engineering, chemical industry, precision mechanics and optics, scientific apparatus construction, vehicle construction and similar branches. The scientific-

highest levels of this industry in the shape of industrial research establishments, natural-science, technical and economic universities and colleges has reached a high level. The GDR is holding the first place in the export of products of machine building within the world socialist system. The industry of the GDR is successfully organized and run according to the latest findings of socialist economic planning and management. It possesses a large number of experienced skilled workers, engineers, technicians and economic management personnel.

Among others, the following potentials of the GDR's industrial production are of special significance for the development of direct cooperational relations between the GDR and the developing countries.

The machine building and plant engineering of the country is in a position to supply complete industrial plants for almost all partial spheres of extractive and processing industries.

On the one hand, there are quite favourable pre-requisites for the development of direct cooperation relations. Thanks to her very diverse production assortment in the field of complete plants, the GDR is in a position to meet a great variety of orders from developing countries. In addition, a fair number of GDR industrial enterprises have had many years of experience in the construction of industrial plants under tropical and sub-tropical conditions. This is true, inter alia, of the construction of textile factories, rice mills, dairies, sugar mills, plants for the manufacture of vegetable oil etc.

But, on the other hand, there is the following problem:

For various reasons it is neither possible for the GDR nor economically wise to promote with approximately the same expenditure of energy and with the same intensity the export of all types of industrial plants to the developing countries although the developing countries as a whole will certainly be interested in all plants. In our opinion, it will be purposeful for the GDR to concentrate in her export of plants to the sphere of the "third world", on a certain number of developing countries. Thus a dissipation of the export potential can be avoided which would neither correspond to the interests of the developing countries nor to those of the GDR.

The foreign trade relations between the GDR and the developing countries are an important basis and an important point of departure for the development of direct production cooperation relations. They are an indicator of the generally reached degree of international division of labour in this field, and they simultaneously show, albeit not fully, the relative and absolute significance of these foreign trade relations within the system of the entire foreign trade of the GDR.

In exports, the high share of products of the metal working industry, amounting to 51,8 per cent in 1960 and to 53,7 per cent, is quite illuminating. The rapid increase of the share of these products in imports from 24,3 per cent to 30,1 per cent over the same period is especially noteworthy. This change of the imports structure shows the effects of the economic policy of the GDR aimed at the purposeful utilisation of external economic relations so as to accelerate economic growth. This increase of imports in this group was, above all, caused by a rise of imports of equipment for new investments and rationalisation investments in the economy of the GDR. Here comes up yet another problem of shaping the direct production relations with the developing countries. It is mainly modern, highly efficient production plants for investments in dynamic industrial branches that account for the sharp increase of imports of products from the metal working industry. But the GDR can import such products almost only from other developed socialist states and, partially, from capitalist industrial states. Apart from very few exceptions, the developing countries are not yet in a position to supply the GDR with such products. In this respect, there is consequently a contradiction between certain import interests of the GDR and the export structure of the developing countries; today this contradiction in a certain way still restricts the possibilities of production cooperation in this specific field. (But it does not preclude such cooperation, as we are going to prove by some examples.)

An important pre-requisite of mutually beneficial direct production cooperation between the GDR and certain developing countries derives from the fact that for a long time to come the GDR will have a considerable demand for certain non-ferrous metals, natural caoutchouc, definite kinds of crude oil, cotton,

wool, skins and hides, concentrated proteins of animal and plant origin, coffee, cocoa, citrus fruit, spices, oil seeds and oil fruit, vegetable oil etc. These products either cannot be produced at all in the socialist countries or only in insufficient quantity or under very unfavourable conditions. That is why the USSR is interested in the increasing importation of these products from the developing countries in the shape of raw materials or intermediate products.

A special characteristic of the economic situation of the USSR is that owing to the effects of war and of very fast economic growth over the past 20 years, there is an acute shortage of manpower. That is why the USSR's economic policy is oriented, above all, to a forced development of fully mechanised, partially and fully automatic production processes in industry and other branches of the national economy. It is a basic feature of the USSR's technical policy to consistently limit, or wherever possible, eliminate labour-intensive processes in industrial production. In most developing countries, however, a growing surplus of manpower prevails inducing these countries, in the process of industrialisation, to pursue a technical policy of combining modern, highly productive technique with labour-intensive technologies. In this respect, there is coincidence of interests between the USSR and the developing countries which could be a favourable starting point for organising direct production cooperation.

The prospective structural policy of the USSR aims at concentrating the accumulation funds, above all, on the priority development of the so-called leading industrial branches for the growth of which there exist particularly favourable conditions in the country. This policy requires, inter alia, a clearing and limitation of

the very broad production assortment of machine building of the Republic. (At the present time the GDR's machine building branch is still producing over 80 per cent of the world's assortment of machines!) They are trying to gradually solve this special problem in close cooperation with the other CMEA states by harmonizing the assortment with these states. But over the past few years, it has become ever more evident that, apart from this, there are further possibilities of establishing direct cooperation relations between the machine building branch of the GDR and the young metal working industry in some economically relatively advanced developing countries. Such relations would comply, both with the specific interests and requirements of the GDR and with those of the respective developing countries.

As you know, another essential factor for the establishment of such stable cooperation relations is the possibility of granting the respective developing country, in the initial phase, a certain volume of long-term commodity or monetary credits which the country will use to build and develop the given industrial production. The GDR is in a position to do this if the corresponding conditions are given. However, it is understandable that her possibilities in this respect are not unlimited.

2. Hitherto Existing Practical Experience of the GDR in the Field of Production Cooperation with the Developing Countries

Economic cooperation of the GDR with the developing countries has taken various forms. The most important ones are: commodity exchange, services in the sphere of transport and communications, the granting of licences, construction of production plants, scientific-technical cooperation, credit relations and, recently, direct division of labour in the field of production, on the basis of long-term state agreements. Often these different forms are combined with one another in many ways.

Since 1950 the GDR has participated in the construction of over 350 industrial enterprises and other production plants in a number of developing countries. She has either supplied the entire production equipment for these projects or large sections thereof. Among the countries buying these plants were, inter alia, the UAR, India, Syria, Indonesia, Ghana, China, Guinea, Ceylon and Tanzania. In Ceylon, the GDR foreign trade enterprise UNITECHRA and the VEB Textilasprojekt (nationally-owned enterprise) are at present building a complete textile combine with 115 000 cotton spindles and 600 weaving looms. The refining plant alone will have an annual production capacity of 40 million square metres. This large-scale enterprise employs 4000 workers, technicians and engineers. After completion it will be the largest textile combine in south-east Asia.

It was especially in carrying out the exports of these plants that the responsible state organs and the involved industrial enterprises of the GDR gathered an abundance of valuable practical experience. Careful evaluation of this experience will probably be very useful for the future development of exports of plants by the GDR to the developing countries.

As was mentioned in the introduction, since the early 1960s, developing countries have been increasingly expressing the desire of organizing relations of direct production cooperation with advanced industrial states. This desire was mainly expressed in connection with the setting up of new industrial enterprises in the developing countries. The equipment for these enterprises was predominantly imported from industrial countries. In this process, the application of such forms as "production sharing" or "progressive assembly" were recommended as particularly suitable methods of this division of labour. It was manifest that the developing countries were no longer willing or in a position to import production plants unless the industrial countries accepted such forms of direct division of labour.

The GDR exporters of plants, too, were increasingly confronted with this problem, during the past few years. It is obvious that in this connection new solutions have to be sought and found in order to make possible a further extension and deepening of the economic relations through direct production cooperation. In these relations, the justified interests of all the respective partners involved must be duly respected.

The development of certain aspects of economic cooperation between the United Arab Republic and the German Democratic Republic is an example showing how and in what direction vigorous and lasting progress can be made in this field. Although the new phase of economic cooperation between both countries began only at the end of 1965 - and although its real economic results still need some time to mature - it is nevertheless already today possible, in our opinion, to generalise certain experience and findings.

2.2. Possibilities and Problems of Establishing Direct Cooperation Relations in the Field of Industrial Production Between the GDR and the UAR

Owing to the achieved level of development of industrial production in the GDR, on the one hand, and the UAR, on the other, and thanks to the specific structural problems, a number of possibilities has emerged in both countries for production cooperation in industry. Materialization of these possibilities could be of considerable benefit to both partners. This holds good, inter alia, for certain spheres of textiles production, chemical industry, and machine building.

In the UAR, just as in other developing countries, an important aspect of the strategy of industrialisation is to switch increasingly and step by step from immediate exports of home raw materials to the processing of these raw materials in the country's own industry. Such a policy is suitable for gradually solving various urgent problems of the economic development of the UAR - including, inter alia the question of employment.

One result of this development has been the increased processing of raw cotton in the UAR's home textile industry.

The GDR has a highly developed, very comprehensive textile industry which contains all sectors of this industrial branch without exception.

At the same time the GDR has an efficient, multifarious textile machine building branch with a high export quota. But enterprises of this branch do not yet exist in the UAR.

In the past, the GDR imported considerable quantities of certain kinds of long-staple raw cotton from the UAR. Owing to the natural condition that the land area for cotton cultivation in the UAR cannot be essentially extended in the near future, and due to economic reasons (as was mentioned, the UAR is striving to process more and more of its home-grown cotton in its own textile industry), it will probably be impossible to increase, on a long-term basis, future imports of raw cotton from the UAR to the GDR on an unlimited scale.

The UAR is interested in exporting to the GDR on a growing scale, semi-finished products like certain numbers of cotton yarn and, in addition to that, more and more cotton fabrics of definite sorts and qualities.

But in the course of consistent rationalization of the GDR industry, which set in in the early 1960s, and in the process of the aspired long-term structural changes in the GDR's industrial production, this country is objectively interested in changing and limiting the specialized and widely ramified production assortment of cotton yarns and fabrics. The essence of these intended changes is, firstly, that the production of certain counts of cotton yarns and of various sorts of cotton fabrics will be restricted or given up; and the textile industry will be supplied with these products through imports. Thus both the specific requirements of the prospective development of industrialization in the UAR's textile sector and the industrial structural policy of the GDR, result in an identity of mutual economic interests in a long-term stable direct production cooperation in this specific field. Such an objective structure of interests is, in our opinion, an important, if not even indispensable, pre-requisite of a truly lasting mutually beneficial cooperation.

But their existence offers merely the possibilities of such cooperation. Experience teaches that materialisation of these possibilities calls for a comprehensive analytical and organisational preparatory work on both sides which often takes two years, and sometimes even more. Hasty and rash decisions in this domain can lead to considerable difficulties and disturbances, and are therefore likely to discredit the idea of production cooperation.

The joint "Work Group of Textile Industry" has proved to be an expedient organ for the careful preparation of this direct cooperation and for the submission to the responsible authorities, for their expert and qualified decision, of comprehensively substantiated data. As early as 1966, the work done by this group had already led to far-reaching and long-term agreements on production cooperation in the field of textile industry between the UAR and the GDR.

In government agreements, a series of stipulations was made concerning long-term increase of imports of cotton, cotton yarns, and finished cotton products from the UAR. At the same time various production assortments in this field were concretely coordinated.

The first steps of the materialisation of these agreements are already reflected in a change of the imports structure and of the volume of imports of certain textiles from the GDR;

TABLE 2 GDR imports of cotton and cotton products from the UAR

product	unit	1964	1965	1966	1967	1968	1969
yarns	tons	1570	1014	1217	1015	1083	3907
cotton fabric	1000 m ²	215	-	-	311	385	2094
ginned cotton	tons	11271	11670	8741	8055	10459	7571

Sources: 1968 Statistical Year-Book of the German Democratic Republic, p. 387
and 1967 Year-Book, p. 397

Over the past few years a rapid increase of imports of cotton yarns and of cotton fabrics has been noticed while imports of raw cotton have been receding since 1965. These developments are an expression of the successful fulfilment of the agreements between both parties.

The agreements in this field are not limited to the growing supplies of semi-finished cotton products by the UAR. They simultaneously envisage a very comprehensive participation of the GDR in the further development of the UAR textile industry. The complete equipment of a large textile enterprise has already been supplied to the UAR. The GDR textile machine building branch has installed 200 000 spindles in this combine of Shihin el Kom alone. In addition, the equipment for several new textile refining enterprises has been supplied to the UAR.

In this context, it is also worth mentioning that the new, highly productive sewing-knitting process (SKM 110) which was invented in the GDR, has been placed at the disposal of the USSR textile industry for the processing of textile fibres into fabrics. Both the corresponding equipment and the technical documentation were supplied. Thanks to precisely this cooperation agreement, the export possibilities of the USSR textile industry are materially enhanced.

Further plants and equipment from the GDR for the spinning mills, weaving mills and refining enterprises in the USSR textile sector are either being prepared for dispatch to the USSR or it is envisaged to dispatch them. In this connexion, there also exist contractual agreements between the two partners on the training of USSR specialists for the textile industry in the GDR and on the delegation of experts (engineers, economists, technicians, masters, instructors, and others) from the GDR to textile enterprises of the USSR. The principal task of the latter is to see to it that the USSR enterprises supplying textile products to the GDR can measure up to the quality standards required by the GDR importers.

Such agreements on the exchange of specialists for training purposes and for the fulfilment of the cooperation stipulations have, incidentally, also been signed for a number of other spheres between the GDR and the USSR.

There exist further possibilities of production cooperation between the USSR and the GDR in the field of chemical production and metal working.

The GDR is one of the top-leading countries of the world in chemical production per head of population. In this field she possesses particularly rich technical and economic experience and an efficient scientific potential. She is intensively endeavouring to meet the new requirements and possibilities of

development of the productive forces in modern chemical production with full utilization of her specific internal conditions through an adequate long-term policy of structure and investments.

Today, a modern chemical industry is emerging in the UAR which can rely on vast deposits of crude oil, natural gas, phosphate, gypsum, anhydrite, lime and other minerals. Since in modern chemical production the law of "economies of scale" operates particularly intensely, there exists a strong pressure for internationalisation, that is for international division of labour. Chemical large-scale production can only be profitable and competitive if it can orient the sale of its production to a broad market.

Real possibilities of a direct production cooperation between the GDR and the UAR offer themselves from the point of view of raw material supply as well as from the point of view of the prospective development of the demand for a number of chemical intermediate and final products.

The following considerations were submitted for discussion by J. Klose:

In the UAR, huge production capacities for crude oil processing are under construction which are destined to distil the crude oil extracted in the country into benzine, Diesel oil, fuel oil, lubricating oil, bitumen, asphalt, light petrol etc. The GDR could participate in the development of this branch by providing equipment, know-how, and specialists, provided these services would be paid for by a long-term continuous supply of such derivatives which are of interest to the GDR. On condition that the UAR side guarantees the continuous supply of these products to the GDR in definite quantities, qualities and on dates contractually fixed, the GDR would not need to build certain capacities of her own. After the corresponding equipment and other services are paid off by supplies of the respective

derivatives to the GDR, the partners would have to reach further agreement in due time so as to guarantee the continuation of supplies from the U.R. to the GDR.

It would also be conceivable to reach agreement between the UAR and the GDR if the UAR took the obligation of continuously producing definite quantities of lubricating oil for the needs of the GDR, in the new lubricating oil works built by the Soviet Union.

Similar possibilities exist for asphalt and bitumen which are in growing demand in the GDR and which can be produced in the new crude oil processing capacities of the U.R. If the UAR would assume long-term supply obligations, it would be possible, on the one hand, to switch the production capacities already existing in the UAR to other derivatives and, on the other hand, considerable transport costs could be economised.

On the other hand, the GDR might continuously supply certain chemical intermediate and final products to the UAR, and the UAR would not need to build certain production capacities in the chemical sector.

Also in the sector of the metal working industry and in the setting up of production plants in the UAR industry, a number of favourable possibilities for direct production cooperation have shown up. This applies e. g. to certain branches of machine building, to the production of mountings and pumps, of building machines, agricultural machines etc.

There already exists a number of machine building enterprises in the UAR. For various reasons it was impossible in the past to fully utilise partial sections of their production capacity (as everybody knows, this is a phenomenon that is also found in other relatively advanced developing countries). However,

in the machine building industry of the GDR various problems are arising in connection with rationalisation, with the aspired structural changes and with the increased manpower problems. These problems account for the interest of GDR machine building enterprises in direct cooperation relations with machine building enterprises of the UAR.

This cooperation could be organised in various forms. It would very well be feasible initially to manufacture in UAR enterprises certain parts or prefabricated units on behalf of GDR machine building enterprises. Here, such parts or prefabricated units could be chosen as are especially labour-intensive, on the one hand, and compact, on the other, so that they would occupy relatively small transport space when dispatched to the GDR.

We hold that under the conditions of surplus capacities in machine building enterprises of the UAR, the country should, during the first period, chiefly concentrate on a better utilization of these capacities for production cooperation. Such an approach would, firstly, correspond to the urgent requirements of the UAR side, but also of those of the GDR. And, secondly, along these lines, concrete results could be quite speedily achieved in the creation of the necessary pre-requisites. Probably it would be inexpedient to orient oneself, under such conditions, on cooperation projects which would presuppose the setting up of new additional capacities in the UAR.

From our point of view, in the field of machine building, there also exists a number of feasible possibilities for organizing these cooperation relations between both partners by making use of the form of "progressive assembly". In this case, the GDR would provide the UAR with the licences or technical documentations (and possibly certain special equipment) for the types of machines that come into question. Then the

production of definite parts or prefabricated units of the respective type would commence there (in the UAR). These parts would, for the present, be exported to the GDR for completion. Following mutual agreement, the UAR enterprise itself would step by step produce major complexes of this machine until, finally, the whole machine could be produced there. In such a procedure, agreement would have to be reached, inter alia, on how and under what conditions the home markets of both partners and the markets of third countries should be supplied with this product for the entire duration of the cooperation agreement.

Thorough and convincing profitability calculations are one important pre-requisite for the accomplishment and materialisation of such cooperation agreements. These calculations must prove the benefit for both participants.

The joint setting up of new enterprises and establishments in the industry and other branches of the UAR national economy¹⁾ is a special field with ample opportunities for production cooperation between both countries. Here, the UAR is interested in contributing as high a share as possible in both the required buildings and equipment, from its own production. As you know - and abundant experience in the UAR corroborates this - such an endeavour very often does not correspond to the interests of western exporters of equipment. For various economic and technological reasons, the latter want themselves to establish the whole plant (or at least a great portion of it) without the participation of firms of the respective developing country.

Taking into consideration the justified and comprehensible national interests of the UAR, the GDR endeavours to limit her supply of equipment for these investments to such a kind of equipment as the industry of the UAR cannot yet produce. In the economic cooperation between the two countries this procedure has become a principle which largely meets the well-understood interests of both sides.

¹⁾ Here we do not mean the so-called "mixed enterprises" but new investments the capital of which belongs to the UAR 100 per cent.

This principle was applied, inter alia, in the joint construction of power stations, systems for power transmission, refrigeration plants between Alexandria and Assuan, equipment for metallurgical enterprises, textile and food enterprises, rice and wheat mills. It is quite comprehensive programs for the extension of the milling industry of the UAR, which has reached the phase of implementation. It is about the UAR, the share of UK supplies and services amounts to 30 - 40 per cent.

Initially, from such a course of action there results quite a number of difficult problems of technical, economic, and target-date coordination between the involved enterprises of the GDR and the UAR. But over the last few years, an abundance of useful experience was gathered in the joint execution of such investment projects in the UAR. The work groups of the Common Economic Committee can draw on this experience when preparing new projects of this kind.

Of late, a very positive factor has begun taking more and more effect, namely the circumstance that during recent years, a series of GDR enterprises got profoundly familiar with the local conditions and requirements of the joint co-operation of enterprises and plants in the UAR. Initially, this greatly facilitates the execution of new projects in which the same enterprises participate.

Certain provisions of the labor law passed by the UAR Government were very conducive to the work of GDR specialists in the construction of such projects as well as to the solution of tasks in other UAR enterprises for the preparation and execution of cooperation projects. These provisions greatly facilitate the stay and work of these specialists in the territory of the UAR.

2.3. Problems of Creating Some Pre-Requisites and of Determining the Net Efficiency of Production Cooperation Between the USSR and the Developing Countries

During the past years it became obvious that - apart from the conformity of objective interests mentioned in the introduction - the successful development and consolidation of such cooperation relations between the USSR and the developing countries requires some further pre-requisites on both sides. Before the conclusion and fulfillment of concrete agreements it is furthermore necessary to thoroughly clarify the questions of their net efficiency.

These pre-requisites include, on the part of the respective developing country, that the cooperation agreements between a home enterprise and industrial enterprises (or associations of Enterprises) in the USSR should be in keeping with the general policy and economic policy of the country's government. This will be most likely the case with enterprises of the state sector of the developing country. (Of course, this is not a question the possibility of cooperation relations between nationally-owned enterprises of the USSR and privately-owned enterprises in the developing countries.)

If this general condition is given, successful development of such cooperation relations will presuppose the clarification of a number of detailed questions on both sides before

... definite agreements become possible. These detailed questions are above all:

1. To extract an estimate as possible of the likely long-term development of production, of its structure, capacity, investments, possible quality of products, home and foreign markets, price and exchange rates of products as well as the manpower situation, and the raw material supply of the involved industrial branches in both countries;

2. Determination of what level the envisaged cooperation relations will have on the development of the national income, on the accumulation fund, on investments, on important national economic proportions, on the degree of utilization of production capacities, on the economies of living labour and sterilized labour as well as on social labour productivity.

3. Classification of the factors cited under 2. requires, inter alia, a calculation of the relation between the net efficiency of the corresponding investments in the GDR (with regard to both the direct and the full expenditure), on the one hand, and the expenditure of credits that would have to be effected, on the other hand, with a view to supplying the national economy with the corresponding products from the developing country that comes into question for possible cooperation. In this connection, it is also necessary to calculate the profitability of foreign trade. This includes the comparison of the cost of various means for supplying the national economy with the corresponding production, assuming

... that it is produced in the GDR and requires definite investments and manpower;

... that it is organized in a developing country by granting credits and technical aid in the form of production cooperation, and that the manpower and material resources are concentrated on the extension of export-profitable branches in the GDR.

In these calculations, economies of living labour in the CDR must also be taken into account, such economies can be achieved through imports of semi-finished and finished goods instead of raw materials from the developing country.

4. The long-term effects of these economic relations on the entire complex of foreign economy of the involved countries have to be exactly calculated (balance of payments, import and export structure, balance of credits, development of currency, foreign trade relations with socialist states, highly developed capitalist industrial countries and other developing countries, and other things).

An enumeration of these different factors and components shows how complicated and difficult it is to carefully prepare this kind of cooperation relations in such a way that their national economic and enterprise benefit is secured, and convincingly proved to both partners involved. This task will be satisfactorily solved only if an adequate calculation system is developed. In this process it is indispensable to apply such methods as national economic input-output tables and optimization calculations.

In this connexion, the comprehensive experience which has been gained in the ascertainment of the net efficiencies of division of labour between CDR countries, has not to good use.

Of course, it is impossible to mechanically apply the experience gained in this field within the CDR, to the ascertainment of net efficiencies in the cooperation relations between socialist states and developing countries. Besides, a number of theoretical and practical problems of profitability calculation in the relations of division of labour between socialist countries have not yet been completely solved, despite intensive research work and

many years of practice. In our opinion, this ample experience nevertheless provides very valuable criteria and methodical advice for solving similar problems of division of labour between socialist and developing countries.

In the process of ascertaining the direct and long-term economic net efficiency of production cooperations between developing countries and socialist countries, one has to consider that there the same conditions do not exist as yet, between these states, as between the CMEA countries for organizing and materializing relations of division of labour.

Furthermore, some special factors have to be taken into account in the process of ascertaining various aspects of the net efficiency of such cooperation relations with developing countries:

- The generally low level of development of productive forces and of social division of labour induces and compels the developing countries - in their foreign economic relations and in the long-term development of these relations with the socialist states - to take into account the production structure which is changing in the process of industrialisation and modernisation of agriculture.
- At their stage of economic development, they are chiefly interested in finding a foreign market at all in which to sell the new products of their young industry.

In these endeavours, the various aspects of the direct and national economic net efficiency of the production and export of these industrial products, do not in all cases play the

same role as in such a highly developed socialist industrial state as the GDR. In the present phase of their development, such aspects of economic net efficiency as economization of social labour in the manufacture of a product are often thrown into the shade by requirements like the paying off of credits or interest. These immediate requirements of the partner country have always to be taken into account by the socialist countries in elaborating corresponding cooperation proposals.

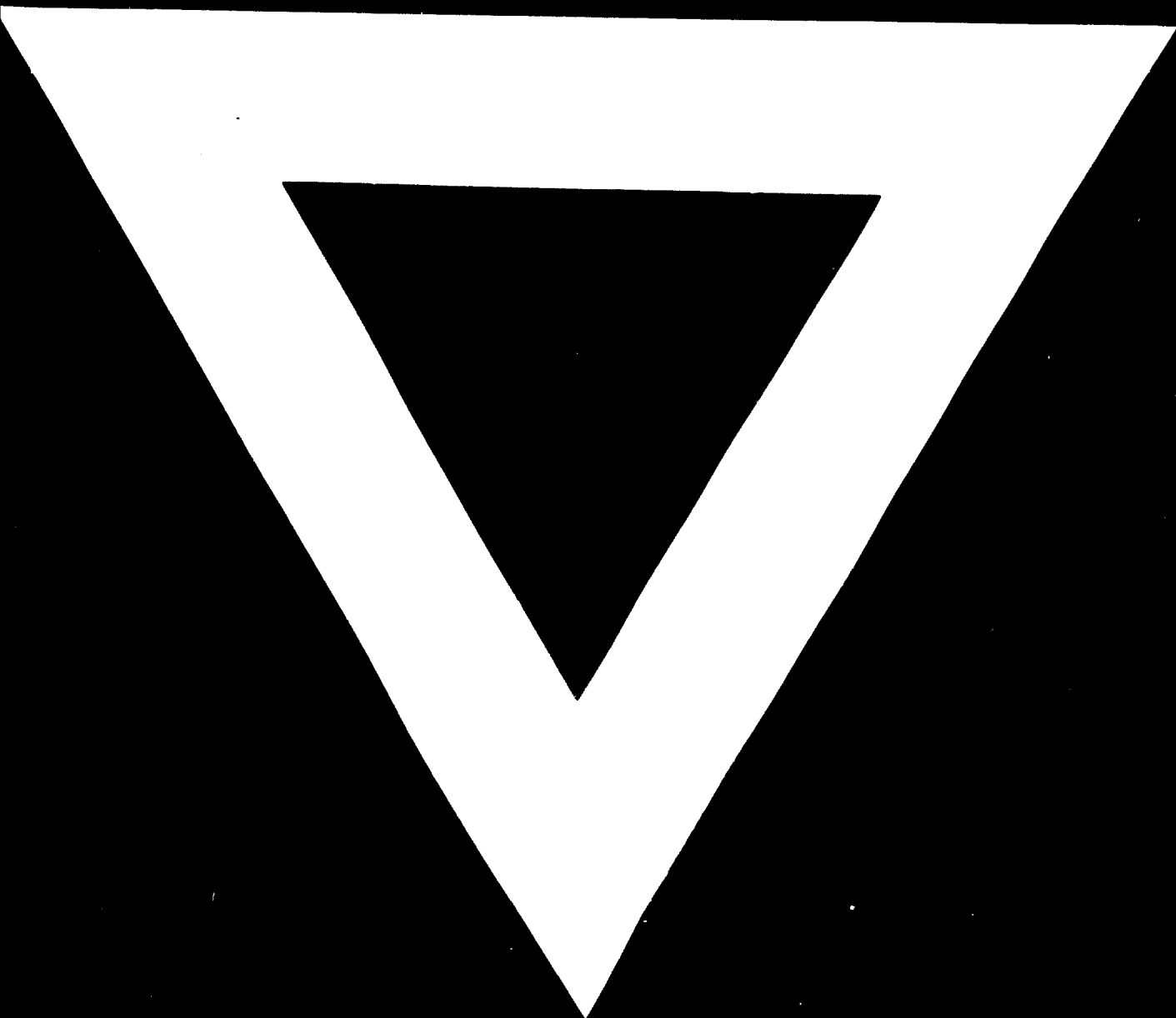
Furthermore, it is necessary precisely for the developing countries to take the future development of social labour productivity into consideration when ascertaining the economic net efficiency of cooperation. If one exclusively proceeds from the given degree of effectiveness of social labour, this may lead to wrong decisions. But it is very well possible that in the process of preparing concrete cooperation projects, contradictions show up between economic effects that can be brought about rapidly and immediately, on the one hand, and long-term effects, on the other. In such a case, one must carefully examine how short-term effects can be combined with long-term ones.

In the majority of developing countries, there exists a great surplus of unemployed manpower. Therefore, one important aim of the economic policy of these countries is to raise employment. Hence, the factor of living labour (irrespective of its degree of qualification) will - in the process of ascertaining the economic net efficiency of cooperation agreements - have a different impact in these countries than in most socialist countries.

But also the change of significance of these factors has always to be taken into account in the respective developing countries.

The existence of a feasible long-term economico-political overall conception is of great significance - if not even indispensable - for a scientifically substantiated and convincing proof of the direct and national economic net efficiencies of such cooperation agreements in the developing countries. Only then will it be possible to rationally integrate the envisaged and discussed cooperation projects in the envisaged entire development of the respective developing country





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