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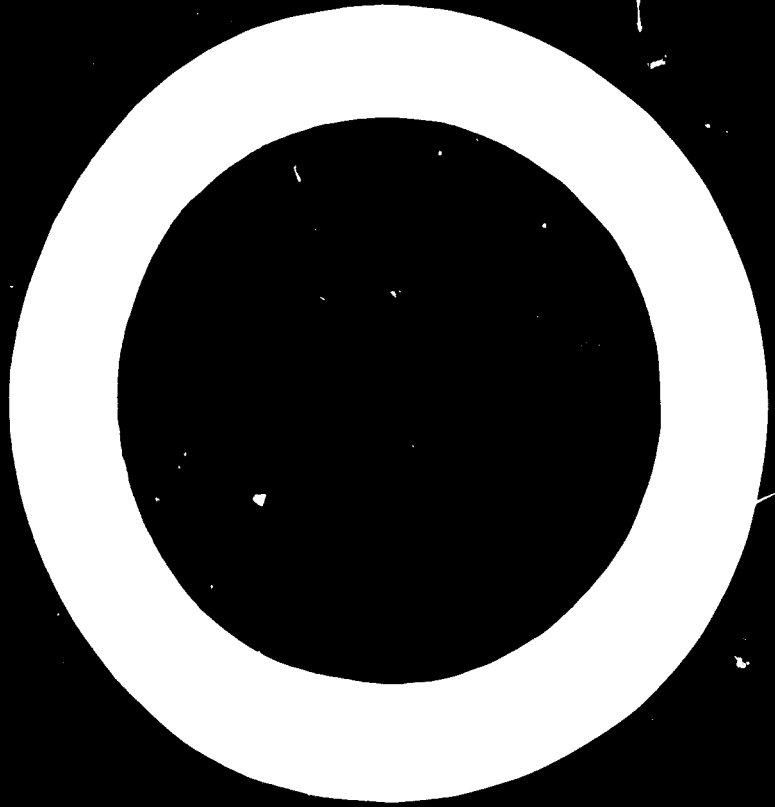
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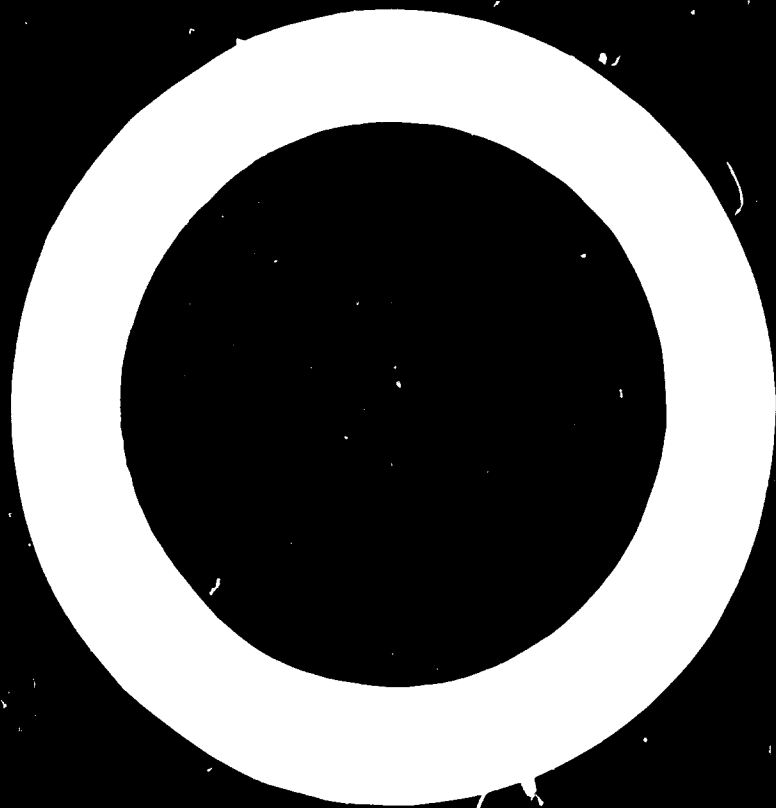
INSTITUTE OF ECONOMICS OF THE WORLD SOCIALIST SYSTEM

PROF. I. V. BUDINSKY,
Doctor of Science (Economics)

**EXPERIENCE IN CO-OPERATION
BETWEEN THE SOCIALIST COUNTRIES
IN INDUSTRIALISATION**

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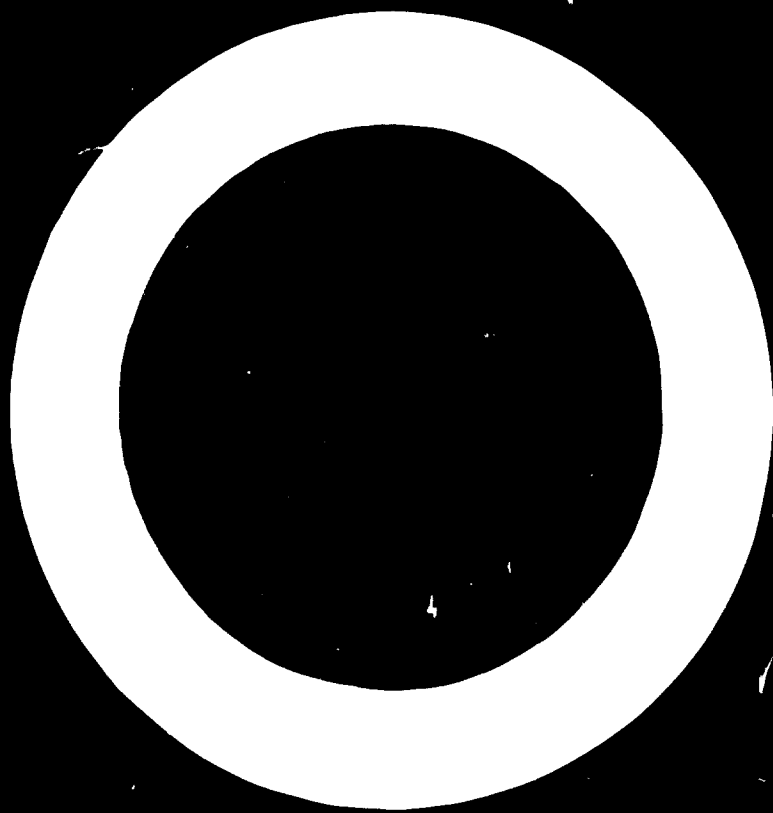
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EXPERIENCE IN CO-OPERATION BETWEEN THE SOCIALIST
COUNTRIES IN INDUSTRIALISATION

Moscow 1967



1. The specific features of industrialisation depend on a country's historical, economic, political and social conditions, the extent of its participation in the international division of labour, etc. But in the present epoch, the developing countries have some features in common in industrialisation, such as the necessity to lay the foundations for a balanced economy, overcome economic backwardness, achieve economic independence and improve the standard of living. Most of the developing countries are faced with the immediate tasks of accumulation, utmost utilisation of both the internal and external resources for development, and the training of skilled specialists for the national economy. The common features in the goals and the process of industrialisation is an objective basis for utilising the experience of the more developed countries in achieving industrialisation in the developing countries.

2. The experience of industrialisation in the socialist countries is important to the developing countries in many respects. The example of the socialist countries shows, above all, industrialisation's primary significance in radically resolving the principal economic problems and proves that industrialisation can be accelerated by using internal

means and resources. The socialist countries by their example have shown the importance of building and developing a national industry based on state ownership of the basic implements and means of production. Following this path, the socialist countries achieved much faster rates of industrial development than countries with a private capitalist ownership of the means of production. State ownership is an important prerequisite for carrying out industrialisation according to plan in the real national interest.

In this connection, the concrete forms and methods of co-operation between the socialist countries for resolving the problems of industrialisation are undoubtedly of interest to the developing countries, which would benefit particularly by studying how industrialisation is carried out in the concrete conditions of each socialist country, and how the specific local conditions determine the choice of branches to be primarily developed, and how in the various conditions the problem of correlating the economic complex and international specialisation is resolved. A comprehensive analysis of the factors in world-wide socialist co-operation which tend to overcome the historically-shaped differences in the level of economic development of the various countries are also of special interest to the young national states for their future development.

3. Prior to the victory of socialist revolutions, considerable industrial backwardness was typical of most of the socialist countries, especially

Vietnam and Mongolia, which were, like most European socialist countries in the past, agrarian countries with a low level of agricultural development. The bulk of the gross national product and national income was created in agriculture. Suffice it to say that from 60 to 80 per cent of the gainfully employed population of Albania, Bulgaria, Yugoslavia, Rumania, Poland and Hungary was engaged in agriculture. In 1949, industrial output in the Korean People's Democratic Republic accounted for 47 per cent of the total industrial and agricultural output, and 16.9 per cent (in 1955) in the D.R. V. The industrial pattern was also backward. In the prewar period, engineering and metalworking were 2.4 per cent of total industrial output in Bulgaria, 7 per cent in Yugoslavia, 10.2 per cent in Rumania, 14-15 per cent in Hungary, and 1.4 per cent in Korea.¹ Foreign capital penetrated deep into the economy of these countries in the pre-war period and acted mainly as a factor in maintaining the agrarian and raw material trend of their economic development. On account of low industrial development, agriculture in the present socialist countries was based on manual labour and had a low productivity. Survivals of feudal relations which were still predominant in agriculture also sharply limited the possibilities of its development.

¹ Мировая социалистическая система хозяйства
(World Socialist Economic System), Vol. 1, Mysl Publishers,
Moscow, 1966, p. 147.

4. After the victory of the socialist revolutions, industrialisation became the cornerstone of the industrially underdeveloped countries' economic policy. The socialist countries followed their own way of industrialisation and accumulated considerable experience in building a domestic industry. Time has shown that many features of this experience are of world significance. It includes the experience of the Soviet Union, a country which has had to lay the foundations of modern industry solely from its own resources. After the Second World War, the forms and methods of a whole number of socialist countries which built their own modern manufacturing industries in the conditions of world socialist co-operation, based on the assistance and support of the fraternal countries, were added to Soviet industrial experience. This gives a certain distinction to industrial development and facilitates the solution of its problems. Socialist industrialisation in the U.S.S.R. and a number of other socialist countries began with heavy industry, which best meets the tasks of reconstruction of the whole economy—light and food industries, agriculture, building industry and transport—on socialist lines. However, on account of specific conditions in some socialist countries, they began their industrial development by establishing an industry processing agricultural raw materials (Mongolian People's Republic, Republic of Cuba).

5. Socialist industrialisation is distinguished for its rapid pace. On the eve of the Great Patriotic War, Soviet

industrial output exceeded the 1913 level by 1,100 per cent, and heavy industry by 1,450 per cent. As a result, in two or three prewar five-year plan periods, the Soviet Union reached the level of industrial development of the European capitalist countries, which it took them decades to achieve. The rapid pace of socialist industrialisation reflect the new social system's advantages: planned economic management, abolition of the exploiting classes, concentration of the bulk of finances and material resources in the hands of the state and their use mainly in establishing key industries and vital enterprises.

6. The most important specific feature of socialist industrialisation is that it is being carried out in the people's interest. Although the building of modern industry calls for enormous expenditures and can even temporarily slow down the rise of the working people's living standards, practice shows that in the socialist countries the cultural and material standards tend to rise steadily in the process of industrialisation. The following data give a picture of the growth of the working people's welfare in the industrialising socialist countries. In 1964, the consumption fund per head of population was 224 per cent of the base year of 1950 (in comparable prices) in Bulgaria, 212 per cent in Hungary, and 195 per cent in Poland. The possibilities of growth of the working people's welfare are steadily increasing with the solution of the problems of industrialisation and reconstruction of the whole economy. The ultimate goal of socialist

industrialisation is to establish in every socialist country such a production apparatus and attain the size and structure of production funds, which would best meet the demand of the fundamental law of socialism, i.e., ensure an ever fuller satisfaction of the growing material and spiritual requirements of the working people.

7. Of special interest is the experience of industrialisation in conditions of the system of socialist states and, consequently, the experience of co-operation between the socialist countries in greatly promoting industrial development in the once economically backward countries. The experience of many countries shows that socialist industrialisation differs in many ways from the industrialisation which took place before the world socialist system was set up. At present, every country considers the strengthening of its political and economic independence not only as a purely national, but also as an international task, common to all the socialist countries, a task whose successful completion will strengthen a country's position and those of the world socialist system as a whole. The correct combination of the national and international interests is one of the powerful incentives to develop the productive forces of each socialist country and of the socialist system as a whole. In these conditions there is no need for the socialist countries to establish closed national economic complexes. The socialist countries, by the nature of their social system, are doing everything possible

to develop really equitable and fraternal relations, ruling out any interference in domestic affairs. An important feature of these relations is the principle of comradely mutual assistance and support, which of course presupposes close co-operation in resolving the problem of industrialisation. That is why the degree of self-sufficiency of the national economic complexes and, particularly, a number of the branches set up during industrialisation, and priority for their development, can be determined by economic factors and rest on estimations of the effectiveness of production. All that certainly opens up fresh possibilities before the socialist countries. Industrialisation within the framework of the world socialist system makes it possible to plan from the outset the national-economic proportions with an eye to the broad inter-relation with the world socialist market and to proceed from the expediency of including countries in the international socialist division of labour. Well-proportioned national-economic development in the course of industrialisation, under the influence of economic co-operation between the socialist countries, is an important factor for enhancing the effectiveness of social production. In these conditions, national resources and, in particular, raw material sources can be used for establishing large modern specialised industries to meet the demands of many countries. The existence of the world socialist system also allows of a differentiated approach to the rates and time of industrialisation. While realizing the need for rapid industrialisation, the

individual socialist countries are now in a position to approach the problem of the rates of development in a new way in view of the fact that there is no longer the direct danger of their economic and political subjugation by the imperialist powers.

8. An essential feature of industrialisation within the system of socialist states is the great economic and technical assistance which the more developed socialist countries have always rendered to the less developed ones. This assistance differs basically in many respects from the aid rendered by the imperialist powers to the developing countries. It has no political strings, and its main object is to provide for the maximum development of key industries, technical progress, and socialist reconstruction of the national economy, in order to raise the less developed countries to the level of the industrialised socialist states. Thus, approximately 80 per cent of the total Soviet commitments in technical assistance to the socialist countries goes into developing the production of producer goods. Assistance is rendered on favourable terms, and its scale can be seen from the fact that Soviet credits to socialist countries have already exceeded a total of 9,000 million rubles. Credits facilitate the accumulation of funds for industrialisation by recipient countries, and industrial development progresses at a more rapid pace with

less effort. Thus, for example, the volume of the resources supplied by the socialist countries to Bulgaria between 1947 and 1957 made up approximately one-third of all capital investments in her national economy for that period. Soviet credits to Poland from 1950 to 1957 reached approximately 7 per cent of all her capital investments in the national economy for that period. The funds supplied by the socialist countries as assistance to the Korean Democratic People's Republic from 1954 to 1956 made up almost 24 per cent of its budget revenues for those years. The programmes of assistance are on a long-term basis and are organically linked with the national plans of the countries providing and receiving economic and technical assistance. Besides, a number of socialist countries have already repaid earlier credits, largely through deliveries of goods produced at the enterprises built under these credits.

9. The assistance rendered by the socialist countries to other fraternal countries goes mainly into establishing undertakings having the most important economic significance, including the training of national technical specialists and the running of the new industries and the free transfer of important scientific-technical documentation, which obviates the need for outlays on licenses. The Soviet Union renders highly substantial technical assistance to the other socialist countries (see table No. 1 in the appendix). By the beginning of 1966, socialist countries, with Soviet assistance, had built and put into operation 22 'iron and steel

enterprises (combines, plants, shops and mines) with a total capacity of 12.9 million tons of pig iron, 12.2 million tons of steel and 11 million tons of rolled metal; 44 non-ferrous metals enterprises, which have helped considerably boost ore output and the production of copper, aluminium, zinc, tin, lead, tungsten and molybdenum; 70 engineering and metal-working plants producing hydraulic and steam turbines, steam-boilers, generators, diesels, oil-refining and chemical equipment, metallurgical, mining, hoisting-and-transport and forging press machinery, metal-cutting machines, automobiles, tractors, ships, farm machinery, bearings, accumulators, communications equipment, and other types of products; 48 chemical enterprises producing nitrogen fertiliser, superphosphate, saltpetre and other nitrogen fertiliser, sulphuric acid, calcic and caustic soda, synthetic rubber, caprolactam, methanol, formalin, phenol, acetone, formaldehyde, automobile tires, etc.; 12 oil-extracting and oil-refining enterprises with an annual refining capacity of 7.2 million tons; 34 coal enterprises extracting 21.2 million tons and concentrating 12.5 million tons a year; 84 hydroelectric power stations which have a capacity of 9.14 million kilowatts. Completion of enterprises, which are being fully supplied with Soviet equipment or are being projected, will give the socialist countries a possibility to create new capacities for producing another 5.5 million tons of pig iron, 13.1 million tons of steel, 21.5 million tons of rolled metal and 1,328,000 tons of nitrogen fertiliser, for refining 18.1 million tons of oil,

and for increasing the power of the hydroelectric power stations by 14.8 million kilowatts. Extensive Soviet economic and technical co-operation has enabled some of the unindustrialised countries, in a relatively short period, to develop from backward agrarian countries into industrial-agrarian states with a rapidly growing industry.

10. The socialist countries greatly benefit from co-operation not only because of the extension of credits. It gives them a whole number of other major advantages. The prices of products sold by the socialist countries in the world socialist market are fixed for a long period, and this eliminates accidental price fluctuations. Additional expenditures resulting from the territorial remoteness of raw material sources in some socialist country are shared equally by the buyer- and the seller-country of a given raw material or fuel. Long-term agreements, giving consumers and suppliers of the given item a long-range prospect, lie at the basis of mutually advantageous trade relations between the socialist countries. The specialisation of production between the socialist countries is also covered by mutual long-term obligations. Assistance rendered by the socialist countries to each other for training specialists is paid for at actual cost and is not viewed as a commercial operation.

11. The foreign trade structure of the socialist countries is changing under the influence of industrialisation, and in the industrialising countries the import, as well as the export patterns, are being considerably modified. In

import, the share of machinery and equipment increases up to a certain point, which is quite natural. At later stages of industrialisation, the increase slackens. In this period, a sizeable part of the enterprises, which are being either built or reconstructed, is already being supplied with equipment produced by the country's own new plants. At the same time, there is a rapid growth in the share of equipment and machinery exports by the industrialising countries. This favourable change in the exports of the industrialising countries is a specific feature in the international socialist division of labour. From the outset, the products of the still relatively weak national industry have an equal chance of coming into the world socialist market. International economic relations in this market are such that the goods of the developing socialist countries are not hit by competition from countries with a more advanced national industry. Another specific feature of the world socialist market is that it meets the bulk of import requirements of the socialist countries in machinery and equipment for industrialisation. This is proof of the real economic independence of the socialist countries and of their ability successfully to develop the productive forces on a scale of the whole socialist community (see table No. 2 in the appendix). The data given in the table affirm the above-mentioned organic link of industrialisation with machinery and equipment imports. In such countries as Bulgaria, Hungary, Rumania and Poland, the share of machinery and equipment in total imports is considerably

higher than in Czechoslovakia and the G.D.R.

The conditions of exchange in the world socialist market promote a steady increase of the share of machinery and equipment in the total exports of the industrialising socialist countries. As a result, this share is slowly but steadily approaching that of such industrially developed countries as Czechoslovakia and the G.D.R. In 15 years, it rose from 2.6 to 24.6 per cent in Bulgaria, from 23 to 32.7 per cent in Hungary, from 7.8 to 34.4 per cent in Poland, and from 6.1 to 18.5 per cent in Rumania. Over the last five years the share of machinery and equipment in the total exports of Czechoslovakia and the G.D.R. has remained at approximately the same level. Almost all the machinery and equipment exports of the industrialising countries are realised in the world socialist market, which assures them of a guaranteed market (see table No. 3 in the appendix).

12. By developing foreign trade ties on the basis of a division of labour, the socialist countries with a relatively large share of consumer and farm products in the national economy, are enabled to increase the share of producer goods in their aggregate social product, thus creating favourable conditions for stepping up industrialisation. Countries with an insufficiently developed raw material and power and fuel basis can also similarly increase their raw material and

power and fuel resources. Bulgaria imports industrial equipment and machinery, but she also has to import a considerable amount of fuel. In exchange, Bulgaria supplies the socialist countries with farm produce, foodstuffs and, lately, with light industry products. Hungary imports the fuel and the industrial raw materials she lacks from the fraternal countries in exchange for her food, engineering and light industry products. These examples show that the international socialist division of labour provides every country with the material resources essential for successfully carrying out its industrialisation.

13. What are the main results of industrialisation in socialist countries? During the years of socialist construction, such countries as Poland, Hungary, Rumania, Bulgaria, Yugoslavia and the Korean People's Democratic Republic have been transformed from agrarian into industrial-agrarian countries with industry yielding the main part of the national income. Industrialisation enables them successfully to reconstruct the whole national economy and to raise all the branches of material production to a new technical level. The socialist forms of economy won out in the whole national economy in the course of industrialisation. Substantial progress was made in the social composition of society and in

the working people's material welfare and cultural level. The fact that the less developed countries can develop their industry at an increased pace with the support of the more developed socialist countries is of great importance to the individual socialist countries and the world socialist system as a whole. As a result, a trend that is pushing its way forward in the socialist countries' economic development is that the level of the less developed countries is overtaking that of the advanced countries. A clear picture of an important manifestation of this trend is given by the data on the actual and the possible correlation of the gross industrial output levels of some socialist countries.

Correlation of the Gross Industrial Output Levels of
Some Socialist Countries for 1950, 1965 and 1970
(per head of population; level of the U.S.S.R. = 100)

	1950	1965	1970
U.S.S.R.	100	100	100
Bulgaria	40	75	90
Hungary	80	75	70
G.D.R.	...	150	145
Poland	70	75	75
Rumania	30	45	55
Czechoslovakia	150	120	110

14. The trend for evening out of the levels of industrial development is also confirmed by the data on changes in the industrial structure (see table No. 4 in the appendix). These data attest to the fact that the shares in the total industrial output of the most progressive industries, such as engineering, chemicals and energetics, in Bulgaria, Poland and Rumania are equal to, and sometimes even greater than, the corresponding share in the total industrial output in such developed countries as Czechoslovakia.

15. The structural changes in the industry of the socialist countries in the course of industrialisation are organically linked with international specialisation and co-operation. The socialist countries can establish specialised enterprises and even whole industries on an international scale, avoid economically unwarranted increases in the number of industries and types of production in the course of industrialisation, avoid expenditures arising from unwarranted autarky, and derive benefit from the international specialisation of production. These possibilities are not implemented automatically, and involve the surmounting of difficulties in the course of their realisation. These difficulties were mainly conditioned by the fact that the existing industrial

pattern was not orientated towards international specialisation. The socialist countries have to reconstruct the existing capacities radically and at great cost in order to go over to specialised industrial production. These difficulties will not arise for the developing countries which do not yet actually have a developed industry if new enterprises are established with an eye to international specialisation with the socialist countries and among themselves. Finding financial and material resources for building the enterprises is also something of a problem for the socialist countries. Questions of maintaining an equilibrium in the balance of payments have an important part to play in solving the problems of specialisation. The CMEA countries are working consistently and successfully on the further development of international specialisation, justly regarding it as an important factor in national economic progress.

16. The rich experience in industrialisation accumulated during the 50 years of development of the socialist world can evidently be used by many developing countries. The extension of co-operation between the socialist and the developing countries will facilitate the sharing of this experience with a view to adapting it to the concrete conditions in the various developing countries. This experience is also especially valuable to the developing countries because the

principles of fraternal co-operation and mutual assistance, on which the socialist countries' relations rest, are not confined to the socialist countries, but are to an ever greater extent being applied in the socialist countries' relations with the young Asian, African and Latin-American states.

A P P E N D I X

Table No. 1

Number of Enterprises and Other Projects in the Socialist Countries Built, Under Construction or Planned with Soviet Technical Assistance (As of January 1, 1966)

	Total	Including those put into commission
All Socialist Countries	1,394	779
Albania	45	45
Bulgaria	158	81
Hungary	77	33
D. R. V.	142	50
G. D. R.	26	14
China	256	244
Korean People's Democratic Republic	58	44
Cuba	104	10
Mongolia	297	67
Poland	108	83
Romania	102	80
Czechoslovakia	24	15
Yugoslavia	37	13

Table No. 2

Volume of Machinery and Equipment Imports of Some Socialist Countries, Share of Machinery and Equipment Imports in Total Imports of Each Country, and the Share of All the CMEA Countries

in Machinery and Equipment Imports of Each Country

	1950				1960				1965			
	Machinery imports in million rubles	Share of CMEA countries in machinery imports (in per cent)	Machinery imports in million rubles	Share of CMEA countries in machinery imports (in per cent)	Machinery imports in million rubles	Share of CMEA countries in machinery imports (in per cent)	Machinery imports in million rubles	Share of CMEA countries in machinery imports (in per cent)	Machinery imports in million rubles	Share of CMEA countries in machinery imports (in per cent)	Machinery imports in million rubles	Share of CMEA countries in machinery imports (in per cent)
Bulgaria	196.9	81	246.1	43.2	92.5	463.0	43.7	82.5	463.0	43.7	82.5	82.5
Hungary	277.4	45	242.3	28.3	81.0	383.3	28.7	78.9	383.3	28.7	78.9	78.9
G.D.R.	104.0	...	249.0	12.6	63.0	452.3	17.9	67.8	452.3	17.9	67.8	67.8
Poland	365.9	...	364.6	27.1	72.0	690.0	32.3	82.1	690.0	32.3	82.1	82.1
Romania	361.0	79.0	189.4	32.5	73.0	378.1	39.0	62.4	378.1	39.0	62.4	62.4
U.S.S.R.	1,232.1	65	1,577	29.8	72.0	2,419.0	33.4	78.6	2,419.0	33.4	78.6	78.6
Czechoslovakia	206.0	32.6	353.9	21.7	86.0	719.1	29.9	81.0	719.1	29.9	81.0	81.0
Yugoslavia	...	...	...	...	...	20.7	23.3	99	20.7	23.3	99	99

Table No. 3
Volume of Machinery and Equipment Exports of Some Socialist Countries, Share of Machinery and Equipment Exports
in Total Exports of Each Country, and the Share of All the CMEA Countries in Machinery and Equipment Exports of Each Country

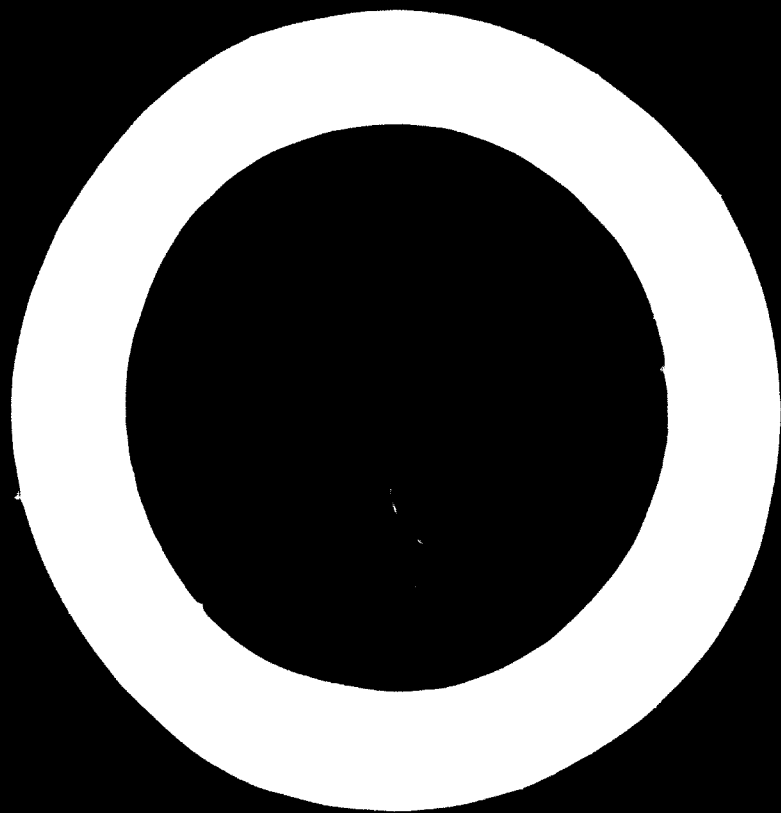
	1950		1960		1965	
	Machinery exports in million rubles	Share of machinery exports in total exports (in per cent)(in per cent)	Machinery exports in million rubles	Share of machinery exports in total exports (in per cent)	Machinery exports in million rubles	Share of machinery exports in total exports (in per cent)
Bulgaria	0.1	2.6	69.9	13.6	261.0	24.6
Hungary	302.8	25.0	299.1	38.0	444.4	32.7
C.S.S.R.	455.0	28	927.7	48.2	1,353.1	48.9
Poland	197.1	7.8	334.0	28.0	690.0	34.4
Romania	35.4	6.1	107.1	16.6	183.3	18.5
Czechoslovakia	623.0	25.4	763.4	45.1	1,173.7	48.5
		100		91.0		91.7
		91		75.0		86.5
	...	...		81.0		84.9
	...	...		73.6		83.9
	100	100		63.7		84.3
	74.0	74.0		67.0		79.0

Table No. 4

Changes in the Proportions of Some Industries in Total Industrial Output (Per cent)

	Output of Electric and thermal power		Iron and Steel Industry		Machine-building & Metal-working		Chemical Industry		Textile Industry		Food Industry	
	1950	1965	1950	1965	1950	1965	1950	1965	1950	1965	1950	1965
Bulgaria	1.6	3.1	0.1	1.8	9.3	22.5	2.8	7.2	17.7	13.4	41.1	24.2
Poland	1.8	2.4	8.6	7.5	8.0	25.8	3.8	8.0	10.1	8.2	32.7	19.9
Romania	1.9	3.2	3.4	5.7	13.3	28.2	3.1	10.0	11.1	6.8	24.2	14.7
Czechoslovakia	2.7	3.5	6.9	9.0	20.8	31.8	4.1	6.5	10.6	6.1	24.2	16.4

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EXPERIENCE OF SOCIALIST COUNTRIES' CO-OPERATION
IN THE FIELD OF INDUSTRIALIZATION

SUMMARY

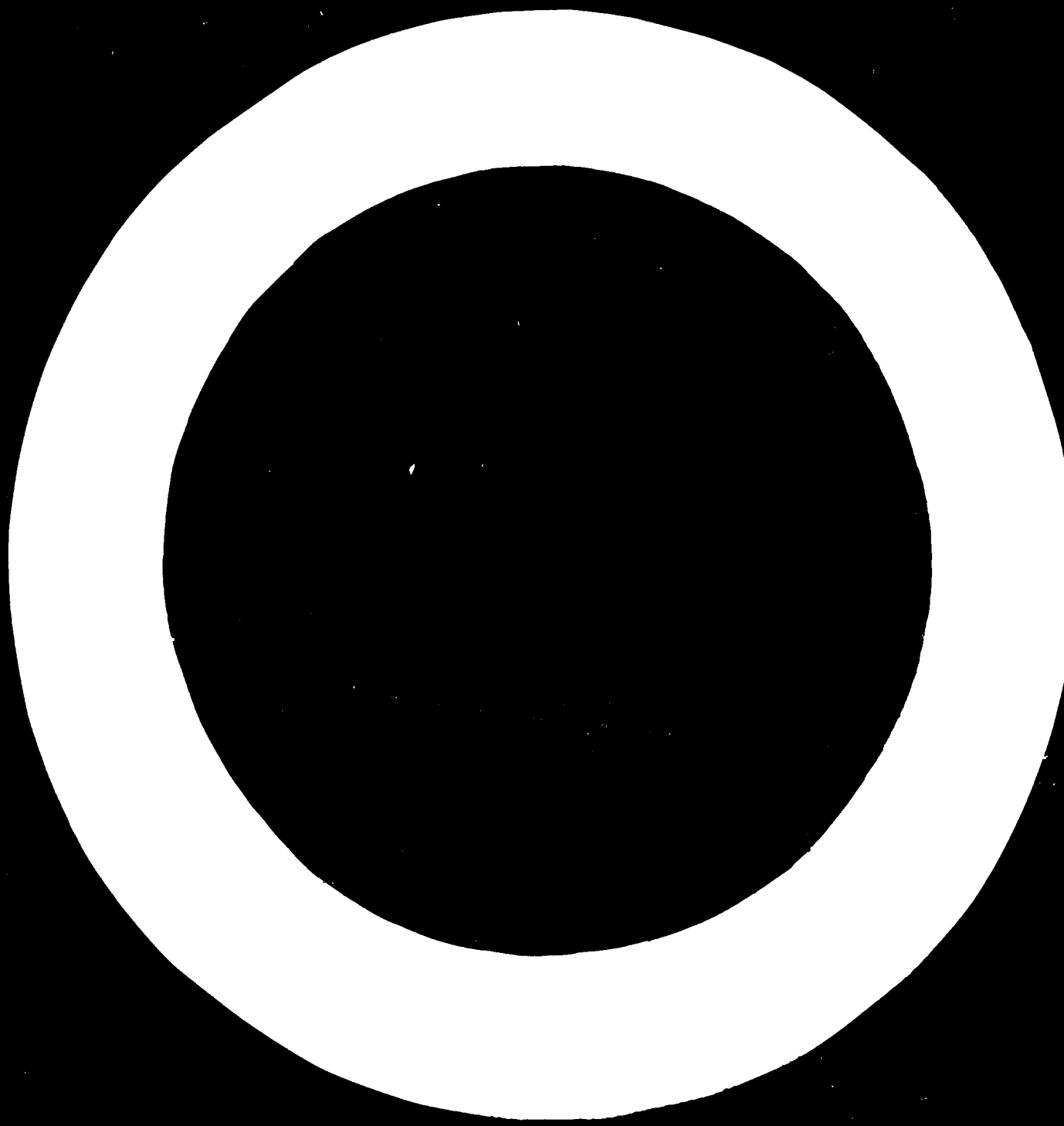
Prepared by

I.V. ~~II~~ Doudinsky

Submitted by

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1. The process of industrialization in various countries has specific features depending on historical, economic, political and social conditions of the country, and its degree of participation in the international division of labour. In the process of modern development, industrialization in developing countries has some common features -- the necessity to establish, in the course of industrialization, the basis of a balanced economy; liquidation of economic backwardness; achievement of economic independence; and improvement of living standards. Most developing countries face the acute problems of capital accumulation, optimum combination of internal and external sources of development and training of qualified personnel for the country's economy. The existence of common features in their goals and processes of industrialization makes it possible for developing countries in the course of their industrialization to draw upon the experience of developed countries.
2. From their experience socialist countries can prove the primary importance of industrialization in solving major economic problems and can demonstrate the possibility of accomplishing industrialization in a short time through mobilization of a country's internal forces and resources. The experience of socialist countries demonstrates the importance of creating and developing national industry on the basis of state ownership as the main implement and means of production. By this method socialist countries achieve higher rates of industrial development than countries that follow the pattern of private-capitalist ownership of the means of production. State ownership is an important condition for planned industrialization and for its implementation in the true interest of a country.
3. Before the socialist revolutions triumphed, the characteristic feature of the economies of a majority of countries of the socialist system was one of considerable industrial backwardness. This was especially true of the socialist countries of Asia, such as Vietnam and Mongolia. Foreign capital had deeply permeated the economy of these countries during the pre-war period and had operated in the main as a factor to preserve the agrarian and raw-material orientation of their economy. Because of industrial backwardness, agriculture of the countries was based on manual labour; productivity was low. The remnants of feudal relations sharply limited the possibilities for development.

/...

4. After the socialist revolutions in the countries with insufficiently developed industries, industrialization became the cornerstone of their economic policy. Socialist countries have taken their own roads to industrialization and have accumulated a vast experience in the establishment of national industries. Many features of this experience have an international significance. Existing conditions in certain socialist countries made it imperative for them to start industrial development by setting up industry for processing agricultural produce. (Mongolian People's Republic and the Republic of Cuba).

5. An important feature of socialist industrialization is the high rate of realization. For example, on the eve of the Second World War industrial output in the Union of Soviet Socialist Republics exceeded that of 1913 twelve times; the output of heavy industry was fifteen and a half times greater. The Union of Soviet Socialist Republics during the Second and Third Pre-War Five Year Plans came close to the level of industrial development of European capitalist countries which it had taken them many decades to achieve. The high rate of industrialization is symptomatic of the advantages of a socialist system achieved through planned economy, liquidation of exploiter classes, concentration of financial and material resources in the hands of the State and employment of these resources for the development of key industries and important enterprises.

6. The most important feature of socialist industrialization and its major characteristic is that it is effected in the interests of the people. Despite the fact that establishment of modern industries requires huge expenditures that can temporarily limit the rate of growth of people's well-being, experience proves that cultural and living standards rise constantly during the course of industrialization in socialist countries. The ultimate goal of industrialization is to establish in each socialist country production apparatus and a volume and structure of production funds that corresponds to a maximum degree with the requirements of the basic law of socialism, which is to ensure the full satisfaction of the material and cultural needs of working people. The adroit combination of national and international

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interests is one of the mightiest stimuli for the development of production forces of socialist countries. Under the world socialist system socialist countries have no need to establish closed national economic complexes. Countries in the world system, by the very nature of their social set-up, do not seek domination over each other but seek to develop genuine egalitarian brotherly relations which preclude interference in the internal affairs of each other. Industrialization in the framework of the world socialist system makes it possible, from the start, to plan national economic allocations, taking into account inter-relationships with the world socialist market, proceeding from the need to include all countries in the international socialist division of labour. Optimization of economic allocations in the process of industrialization within the framework of economic co-operation between socialist countries acts as a powerful lever to raise the effectiveness of social production. Under these conditions national resources, raw materials in particular, may be used to establish modern socialist production designed to satisfy the requirements of many countries.

7. Existence of the world socialist system permits a selective approach to the speed and timing of industrialization. With high rates of industrialization playing such an important role, socialist countries now have a possible solution to the problem of rates without heed to labour under the immediate threat of economic and political domination by imperialist powers.

8. One of the important features of industrialization in the system of socialist states is the considerable amount of economic and technical assistance that more developed socialist countries provide for less developed socialist countries. This assistance differs in many respects from the assistance provided by imperialist countries. Socialist assistance has no political strings attached. Its goal is maximum development of industries, technical progress and socialist reconstruction of economy, so that less developed countries can be brought up to the level of industrialization of the developed socialist states. Thus, about 30 per cent of the total volume of the Soviet Union's commitments in technical assistance to developing countries is in the field of development of the means of production.

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This assistance is provided on favourable terms.

9. The main assistance that socialist countries receive from other socialist countries is in the establishment of projects that are important for national economy, including assistance in training national technical personnel, establishment of production plants, provision of licenses and scientific and technical documentation without payment of fees. Substantial technical assistance to other socialist countries is provided by the Soviet Union. The broad economic and technical co-operation provided by the Soviet Union has allowed developing countries to transform themselves, in a comparatively short time, from backward agricultural states into industrial-agricultural states with rapidly developing industries.

10. Socialist countries receive many advantages from co-operating with each other in addition to financial credit. One advantage is that fixed prices for products sold on the world socialist market by socialist countries are established for a long period of time. This fact helps to eliminate speculation and fluctuating prices. High transportation expenditures due to long distances from sources of raw materials to the consumer country are shared equally by the buyer and seller of raw material or fuel. The mutually advantageous trade between socialist countries is conducted on the basis of long-term agreements which give a profitable perspective to both buyers and sellers. Specialization of production between socialist countries is also being carried out on the basis of mutual long-term commitments. Payment for assistance provided by socialist countries to train personnel in other socialist countries is based on actual expense and is not considered a commercial operation.

11. The structure of foreign trade of socialist countries changes under the influence of industrialization. Not only the structure of imports, but also the structure of exports, is substantially modified in countries undergoing industrialization. The proportion of machinery and the amount of equipment imported increases, which is a normal procedure. In the later stages of industrialization, this importation slows down. During this period, a high proportion of constructed and reconstructed enterprises are equipped with machinery produced in the developing country's own plants. At the same time, the amount of equipment and machinery exported by the

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developing country begins to rise steeply. A characteristic feature of the structure of export of industrially developing countries is a similar feature of the international socialist division of labour. The products of a comparatively weak national industry have, from the start, the possibility of wide access to the world socialist market. International economic relations in this market are such that commodities of socialist developing countries are not undersold by competition free countries that have a more developed national industry. Also, a characteristic feature of the world socialist market is that it provides the largest share of import requirements of socialist countries of machinery and equipment for industrialization purposes. This demonstrates the economic independence of socialist countries and their capability to develop production forces within the socialist community. Conditions of exchange in the world socialist market promote a continuous rise in the proportion of machines and equipment in total exports of socialist developing countries. Almost all exports of machinery and equipment of countries in the process of industrialization are realized within the world socialist market, which guarantees their disposal.

12. By improving foreign trade relations on the basis of division of labour, socialist countries that produce a relatively large share of consumer goods and agricultural products can increase the share of capital goods in their gross national product (GNP) and create favourable conditions for accelerated industrialization. Countries with undeveloped sources of raw materials and fuels can also increase such sources.

13. As a result of socialist economic policy countries such as Poland, Hungary, Romania, Bulgaria, Yugoslavia and the Korean People's Democratic Republic have been transformed from agrarian countries into industrial-agrarian countries and now derive the basic part of their national income from industry. Industrialization gave them the opportunity to carry out reconstruction of their entire economy. All branches of material production have been raised to a new technical level. In the course of industrialization, socialist forms of production have triumphed in the entire economy. Significant progressive changes have taken place in the social composition of society, the standard of living, and the cultural levels of working people.

14. The trend towards levelling of industrial development of socialist countries is confirmed by data on changes of their industrial structure. These data show that the share of industries such as machinery, chemicals and power in the gross industrial product of countries such as Bulgaria, Poland and Romania is approaching (and in some cases exceeds) the share of these industries in the gross industrial product of developed countries such as Czechoslovakia.

15. Structural changes in the industry of socialist countries that take place in the course of industrialization are related to international specialization and co-operation. Socialist countries can create enterprises, or even whole industries, specialized from the international viewpoint. They can avoid unjustified economic expansion of industries and types of production; they can avoid expenses connected with autocracy and they can benefit from international specialization of production. To effect transition to specialized production, socialist countries must carry out radical reconstruction of existing capacities, this requires considerable expense. In developing countries where there is practically no industry these difficulties will not take place if new enterprises are created with due regard to international socialist specialization. One problem of socialist countries is raising finance and material resources for building enterprises. The balance of payments plays an important role in solving the problem of specialization.

16. The rich experience in implementing industrialization which socialist countries have gained during fifty years of development can be used by many developing countries. Co-operation between socialist and developing countries will promote transfer of suitable experience needed in specific local conditions in developing countries. This experience is valuable to developing countries because the principles of mutual co-operation and assistance are not confined to the framework of the world socialist system, but affect to an even greater extent relations with developing States in Asia, Africa and Latin America.

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