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INSTRUMENTS AND METHODS FOR THE ECONOMIC CO-OPERATION AND  
INTEGRATION OF THE MEMBER COUNTRIES OF THE COUNCIL FOR  
MUTUAL ECONOMIC ASSISTANCE, PARTICULARLY IN RELATION  
TO INDUSTRIAL DEVELOPMENT \*

by

International Institute for the Study of the Economic  
Problems of the World Socialist System,  
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CONTENTS

	<u>Page</u>
INTRODUCTION . . . . .	2
1. General conditions for the operation of the instruments regulating economic co-operation between the CMEA member countries . . . . .	5
2. Ways and methods of ensuring planned co-operation between the CMEA member countries, particularly in the area of industrial development . . . . .	7
3. Instruments for promoting more extensive specialization and collaboration in the manufacturing industry . . . . .	17
4. Forms of co-operation between the CMEA member countries in meeting their raw-material and energy requirements . . . . .	23
5. Ways of contributing to the industrial development of the less developed CMEA member countries . . . . .	29
6. Ways and methods of ensuring scientific and technological progress and the reciprocal transfer of technology . . . . .	35
7. Foreign trade and currency and financial arrangements as instruments for ensuring economic co-operation and integration among the CMEA member countries . . . . .	42
8. Activities of the international economic organizations of the CMEA member countries directed towards mutual co-operation in the area of industry . . . . .	51

Annexes

1. Objectives and operating principles of the Council for Mutual Economic Assistance. Functions and authority . . . . .	58
2. Structure of the Council for Mutual Economic Assistance . . . . .	65
3. Survey of the growth of the national economies and industries of the CMEA member countries over the last 30 years . . . . .	66

## INTRODUCTION

The member countries of the Council for Mutual Economic Assistance (CMEA) take the view that the most important task facing the United Nations Industrial Development Organization (UNIDO) is to contribute in every way to the fastest possible implementation of the forward-looking recommendations of the Lima Declaration and Plan of Action on Industrial Development and Co-operation and of the relevant decisions of the sixth and seventh special sessions of the United Nations General Assembly aimed at bringing about equitable and mutually advantageous co-operation between governments, particularly in the area of industrialization.

This study, entitled "Instruments and Methods for the Economic Co-operation and Integration of the Member Countries of the Council for Mutual Economic Assistance, Particularly in Relation to Industrial Development", has been prepared by the International Institute for the Study of the Economic Problems of the World Socialist System in accordance with an agreement reached between the UNIDO and CMEA Secretariats. The study is also in line with the provisions of General Assembly resolution 3362 (S-VII) of 16 September 1975, in which, inter alia, the Assembly called for joint studies in the area of international industrial co-operation.

At the present time, the work of the Council for Mutual Economic Assistance, which is celebrating its thirtieth anniversary during this current year of 1979, involves the participation of ten socialist countries in Europe, Asia and America: the People's Republic of Bulgaria, the Republic of Cuba, the Czechoslovak Socialist Republic, the German Democratic Republic, the Hungarian People's Republic, the Mongolian People's Republic, the Polish People's Republic, the Socialist Republic of Romania, the Union of Soviet Socialist Republics and the Socialist Republic of Viet Nam. More than 430 million people live in these countries. Occupying 19 per cent of the territory and accounting for 10 per cent of the population of the Earth, the CMEA member countries produce approximately one-third of the world's industrial output and are responsible for more than one-half of the growth in industrial production throughout the world.

In many respects the experience of co-operation and integration within the framework of the Council for Mutual Economic Assistance is unique and without precedent. The economic ties between the Council's member countries

have been consistently based on the principles of total voluntarism, equality of rights, respect for state sovereignty and national interests, mutual advantage and mutual assistance.

Co-operation between the CMEA member countries follows a pattern of planning and takes the form of the co-ordination of national five-year economic plans, the preparation of long-term goal-directed programmes of co-operation, the harmonization of multilateral integration planning, and other measures.

Mention should also be made of one other aspect of the Council's work that has elicited particular interest on the part of developing countries. Not only has the Council, in its Charter, proclaimed the elimination of the historically caused discrepancies in the level of economic development of its individual member countries to be one of its major objectives, but it has also accomplished a great deal towards that end. No other community of nations ever to operate in the international arena has subordinated its activities to this goal to such an extent.

Within the CMEA framework a solution has been found to the problem of full employment and also to that of equal access to modern technology through a highly developed system of scientific and technical co-operation.

Relying on their internal efforts and mutual co-operation - and mindful as well of their involvement in the international division of labour - the CMEA member countries have succeeded in achieving substantial growth in their national economies. The results of this growth are described in one of the annexes to this study.

While developing and deepening their planned and multifaceted economic co-ordination, the CMEA member countries have at the same time pursued an unaltering policy of developing long-term economic co-operation, based on the principles of equality and mutual advantage, with all countries regardless of their social systems. Co-operation agreements are in effect between the Council and Finland, Iraq and Mexico, and CMEA countries are expanding multilateral co-operative ties with Laos, Angola and Ethiopia. The member countries of the Council are providing effective assistance and support to developing countries in their efforts to build and consolidate their national economies and establish international economic relations on a basis of parity.

The CMEA countries are also forging economic links with the developed capitalist states, with several of which they have concluded long-term agreements or formulated programmes of economic and scientific co-operation.

The area of economic co-operation between the CMEA community and non-member nations is not the subject of this study and for this reason will not be discussed in any detail in the pages that follow.

1. General conditions for the operation of the instruments regulating economic co-operation between the CMEA member countries

For the purpose of expanding and deepening their co-operative relationships, the CMEA member countries make use of a number of different instruments and methods which taken together constitute what might be called the machinery of their co-operation. This machinery includes various forms of co-operation in the form of planning, financial and commodity arrangements, and finally the institutional, organizational and legal organs of the Council itself. The purpose of the machinery is to facilitate the interaction of the national economic establishments of the member countries and their participation within a framework of planning in the division of labour within the international socialist system.

The general conditions underlying the operation of the instruments governing the mutual co-operation of the CMEA member countries are defined primarily by the fact that the Council is an association of socialist countries pursuing a planned system of economy. As a consequence, the international relationships within this community in the area of production and trade similarly reflect this element of planning. The socialist countries cannot permit chaotic and uncontrolled factors to affect their mutual economic ties, since this would undermine the foundations of their internal planned development. Hence, they likewise structure their relations with each other on the basis of planning as well. To this end, they employ various forms or modalities of joint planning as the principal component of the machinery for their mutual economic co-operation. Within the Council the co-ordination of plans and other forms of joint planning are carried out in accordance with the principle of complete voluntarism and do not infringe the sovereignty of the member countries.

At the same time, a consideration of great importance to an understanding of the nature of the instruments regulating co-operation between the socialist countries is the fact that mutual trade and all other forms of co-operation between these countries must be mutually advantageous and beneficial to each party. It is to ensure these principles of equivalency and mutual advantage that the machinery of mutual co-operation includes a second component element, namely the instruments of autonomous financing: a collective currency for the CMEA member countries (the convertible rouble), reciprocal trade pricing, the



reciprocal accounts system, international credit, etc. Foreign-trade instruments and instruments in the area of currency and finance represent an organic component of the unified planning machinery for co-operation among the CMEA member countries. The more actively these instruments contribute to ensuring equivalency and mutual advantage in co-operation, the more fully realized are the objectives and purposes of the member countries in the pursuit of their common interests through joint planning.

Finally, as the third component of this single co-operation mechanism, there are the organizational instruments constituting the institutional structure within which the mutual economic ties of the CMEA countries are developed (the Council itself, its international economic organizations, its international banks, the various organizational forms of trade between the members, the regulatory documents governing their co-operation, etc.).

2. Ways and methods of ensuring planned co-operation between the CMEA member countries, particularly in the area of industrial development

The basic method for guiding the development of the economies of the CMEA member countries, including their industrial sectors, and ensuring that these economies develop according to plan is through national economic planning in the individual countries. In its initial phase this planning covers the forecasting of scientific, technical and economic development, but is later extended to encompass long-term development planning as such in the social and economic areas within each of these countries in the form of five-year and short-term (annual) plans. In all CMEA countries the principal planning instrument is the five-year national economic plan.

The basic method for organizing co-operation and socialist integration within the Council for Mutual Economic Assistance is through co-operation in planning, the most characteristic illustration of which can be seen in the co-ordination of the five-year national economic plans of the individual member countries.

The introduction and development of five-year planning in the CMEA countries has, since 1954, made it possible to undertake the systematic co-ordination of the five-year national economic plans and to gain unique experience in regular economic interaction on a planned basis. All five five-year plans co-ordinated during the period 1956-1980<sup>1/</sup> have been influenced by and reflect the tasks that were successfully solved during the preceding periods.

The co-ordination of the five-year plans is concerned with those problems whose joint solution is of interest to the Council's member countries. Chief among the matters analysed and co-ordinated are the following:

- Basic directions and specific measures of co-operation in the area of science and technology;
- More extensive specialization and collaboration in the production sector for the purpose of achieving a rational scale of production using the most advanced technology;
- Co-ordination of investments in installations and facilities which have been singled out as co-operative projects;
- Product lists<sup>2</sup>, production volume and delivery dates for goods and merchandise traded among the member countries, with particular attention to the economic conditions of these deliveries.

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<sup>1/</sup> Beginning with the 1976-1980 five-year period, the Republic of Cuba and the Socialist Republic of Viet Nam have been included in the co-ordination of plans

The five-year plans are co-ordinated on a bilateral and multilateral basis. During and after the co-ordination process, intergovernmental agreements or contracts between authorized economic organizations are concluded in areas in which a decision to co-ordinate efforts has been reached. In its bilateral form, the co-ordination - which embraces the full range of mutual relations during the period in question - is finalized through the signing of bilateral protocols by the directors of the central planning institutions of the two CMEA member countries which are party to the arrangement. In this system, all the results of long-term co-ordination are realized through the co-ordination of the five-year plans, while the many specific problems arising out of multilateral projects are resolved through bilateral negotiations. Much of the co-operation planning is handled on a bilateral basis only.

The CMEA member countries co-ordinate their five-year national economic plans in close connexion with their work on their own state plans. As a rule, during the plan co-ordination process the agreement of decisions regarding specific issues for the five-year period is finalized before the five-year plan proposals (draft plans) are submitted to the competent national authorities for approval.

During the first decades of co-operation, the purpose pursued in co-ordinating the five-year national plans was to bring about the industrialization of the CMEA countries and to increase their industrial potential. It is this industrial potential that has played so decisive a role in generating and reinforcing first the trend to, and later the systematic pattern of, convergence and equalization in the levels of economic (principally industrial) development of the countries of the socialist community.

The adoption of the Comprehensive Programme for the Further Deepening and Improvement of Co-operation and the Development of Socialist Integration between the CMEA Member Countries (hereafter referred to simply as the Comprehensive Programme) and the establishment of the CMEA Committee on Co-operation in Planning at the Council's twenty-fifth session in 1971 strengthened even further the concept of planning as the basis of economic co-operation and integration implicit in the development and co-ordination of five-year plans among the individual CMEA countries.

The implementation of the Comprehensive Programme and the practical work of the CMEA Planning Committee has breathed fresh vigour into the multilateral approach to the solution of large-scale and inter-branch problems of economic development and co-operation in addition to contributing to a gradual shift in co-operation priorities to the area of material production and capital construction. In the course of this work a number of new forms, methods and instruments for co-operation in the area of planning have emerged and been refined. These include: the joint forecasting of general indicators of economic growth and of indicators for specific branches of the economy (notably the branches and sub-branches of the industrial sector of the CMEA countries up to the year 1995; the preparation and execution of the Co-ordinated Plan of Multilateral Integration Measures (CPMIM) of the CMEA countries for the period 1976-1980; and the formulation and implementation of the Long-Term Goal-Directed Programmes of Co-operation (LGPC) which are designed to extend to 1990 and cover the principal areas of material production in close co-ordination with bilateral long-term programmes of production specialization and collaboration.

All of these steps have not only further strengthened the planning basis of socialist economic integration (striking examples of which are the building, in three to four years, of the Volga Automobile Plant with its capacity of 660,000 passenger cars a year, the "Soyuz" gas pipeline capable of delivering up to 28-30 billion cubic metres a year, a number of major installations for the processing of iron ore and the production of ferro-alloys, nickel ore processing facilities, etc.), but have also created a solid foundation for joint planning by the Council's member countries with a view to:

- Increasing substantially the degree of complementarity of their national economies;
- Implementing a concerted policy for further strengthening their economic, scientific and technical potential.

The system of state planning and control on the one hand, and of inter-governmental co-operation in the area of planning on the other are closely and interdependently linked. The planning of measures to promote integration is one of the most important constituent elements of the planning systems of each of the individual governments, which simultaneously plan their own national economies and, in concert with the appropriate agencies in the other CMEA countries, their contribution to the co-operative planning effort of the community as a whole.

As refinements have been introduced into economic planning and management in the CMEA countries, specific programmes have been undertaken to extend the international modalities of economic co-operation. For example, since 1975, in further development of the Comprehensive Programme, which is designed to cover a period of 15-20 years, the CPMIM for 1976-1980, a multilateral compendium of the achievements of co-ordinated five-year planning for the current five-year period, has been prepared and is beginning to be put into effect. In that same year, and likewise in furtherance of the Comprehensive Programme, a decision was adopted to formulate, in a number of economic areas of particular importance to the CMEA countries, long-term goal-directed programmes of co-operation (LGPCs) to cover a more extended period - to 1990. All this work has been carried out under the direction of the CMEA Committee on Co-operation in Planning.

Against the background of this evolution, the planning co-operation system is continuing to develop and consists at the present time of the following elements:

- Mutual consultations on basic problems of policy in the areas of economics, science and technology;
- Co-operation in the preparation of forecasts in the most important areas of economics, science and technology;
- Co-ordination of long-range plans for key economic sectors and production branches, including the formulation and implementation of LGPCs on a multilateral basis and also bilateral long-term programmes of production specialization and collaboration;
- Co-ordination of five-year national economic development plans, including the preparation of five-year CPMIMs;
- Joint planning for selected industrial sectors and production types;
- Exchanges of experience among the CMEA member countries on ways and means of improving economic planning and management systems.

The long-term goal-directed programmes of co-operation are designed to develop and give concrete expression to the Comprehensive Programme. By translating into real terms the key provision of the Comprehensive Programme calling for more effective co-ordination of national economic planning over an extended period, the LGPCs represent a practical application of the programme-target approach to economic planning and management within the framework of the inter-governmental relations of the countries of the socialist community.

At its thirty-second session in 1978 the Council gave its approval to CMEA's first three long-term programmes. These programmes are designed to extend through the year 1990.

LGPC in the area of energy, fuel and raw materials

Through the measures contemplated under this programme it will be possible to achieve an approximately 1.5-fold increase in the consumption of electric power in the European countries of the Council. One of the major policy objectives in the co-ordinated efforts of the community countries is the development of nuclear energy. To this end, a large-scale capacity for the manufacture of nuclear power plant equipment on a co-operative basis is being created. The programme calls for the erection of nuclear power plants in the CMEA European countries and Cuba with a total output of 37 million kW. On the basis of a general agreement signed in March 1979, the four-million-kW Khmelnitckaya nuclear power plant in the USSR will be built with the assistance of the other CMEA countries.

The programme also provides for the construction of new independent 750-kV transmission lines, iron and steel enterprises, nickel works (in Cuba), an additional copper-molybdenum complex in Mongolia, and other facilities.

LGPC in the area of agriculture and the food industry

The purpose of this programme is to contribute to a sharp upturn in the production of grain and other basic agricultural crops. The task that has been set calls for increasing the grain harvest to one tonne per capita per year. It is expected that through the use of jointly designed and manufactured high-efficiency machinery it will be possible to raise labour productivity in the specific area of harvesting operations by a factor of 1.5 to 2.

The programme also envisages assistance in increasing the output of sugar and citrus fruits in Cuba and meat in Mongolia.

LGPC in the area of the engineering (machine-building) industry

The principal objectives of this programme are to bring about a sizable increase in the manufacture of modern equipment for the key branches of the economies of the CMEA member countries, to introduce advanced technological processes, and to raise the level of production mechanization and automation through, among other things, the use of the latest computer technology. Top priority has been assigned, in this connexion, to measures designed to boost the production of nuclear power plant equipment and also equipment for the extraction and downstream (comprehensive) processing of oil as well as for the exploration, extraction and beneficiation of solid fuel and mineral resources.

The declaration of the heads of delegations of the CMEA member countries, adopted in connexion with the Council's approval, at its thirty-second session, of the long-term goal-directed programmes of co-operation- states that these programmes are designed to bring about the following objectives: the steady growth of the national economies of the CMEA member countries and the continued elevation of the standard of living of their people; the convergence and equalization of the levels of economic development in these countries; the broad-based involvement of the less developed of the community's members in the industrial aspects of production specialization and collaboration; the introduction of advanced scientific and engineering techniques in the production sector and, on this basis, the greater export of finished goods; and, in particular, accelerated growth and faster gains in efficiency in the economies of the Republic of Cuba and the Mongolian People's Republic and also of CMEA's newest member, the Socialist Republic of Viet Nam.

Work on two other LGPCs is also in its final phase:

- A programme in the area of transport and communications;
- A programme in the area of consumer goods.

It is expected that the Council will give its approval to these programmes at its thirty-third session in Moscow in 1979.

Regarding the economic effect to be generated through these long-term goal-directed programmes, planners believe that by carrying out the first three of them the CMEA member countries will be able to satisfy the increment in their national requirements for energy by 90 per cent, for iron- and nickel-bearing ore and metal almost entirely, for sugar by 100 per cent, for citrus fruits by 90 per cent, and for protein-rich products (including krill) and cotton wool to a substantial degree. There is no doubt that the total result will be to strengthen the industrial export potential of the CMEA member countries, especially Cuba, Mongolia and Viet Nam.

The practical implementation of the LGPCs will contribute to a significant increase in economic ties between the CMEA countries (particularly as reflected in trade in machinery and equipment) and will also result in substantially heavier investments directly or indirectly connected with integration programmes.

By co-ordinating the large-scale investments involved, each country will be able to realize substantial savings (amounting to many billions of roubles) in comparison with what they would be spending if these resources were used in a series of scattered projects.

A new form of branch-wide co-operation in planning between the CMEA countries is represented by the joint planning of specific industrial branches and product types. According to the Comprehensive Programme of socialist economic integration, what this modality of co-operation involves is a planning effort undertaken on an international scale and at the production enterprise and branch organization level. Co-operation in this form implies the preservation of national ownership over the production facilities in question and does not involve the establishment of any supranational authority within the Council.

One of the important tools for the development of the national economies of the CMEA member countries within a framework of planning is provided by co-operative forecasting, on a multilateral and bilateral basis, in the critical areas of economics, science and technology. In undertaking this co-operation, the CMEA countries are guided by their belief that forecasting constitutes the initial stage in the over-all process of socialist planning and represents one of the prerequisites for the preparation of the long-term and five-year economic plans.

Forecasting is an important element of socialist planning because by providing a critical analysis of what has been accomplished to date and identifying the likely shape of the future, possible specific objectives and advisable development policies, the forecasts that are prepared enable decision-makers to make informed selections from among the options involved in the further process of planning. The co-operation of the CMEA countries in this area consists of a collective effort by the different countries in analysing and predicting processes and phenomena of mutual interest and in improving the methods of joint and national long-term planning.

At the present time, the CMEA countries are engaged in the following forms of co-operation in the area of forecasting:

- Exchanges of experience in the methodology and organization of forecasting in the CMEA countries and the drawing of general conclusions from this and the experience of other countries;
- Exchanges of information on the results of national forecasts;
- Joint forecasting.



Each of these three forms of co-operation may also be pursued as an independent area of co-operation; however, in most cases, the exchanges of experience and information on the results of national forecasting precede work on the preparation of joint forecasts.

All three of these co-operation modes in the field of economic forecasting play an important role in the over-all co-operation of the CMEA member countries. Exchanges of experience and information on the results of national forecasting have provided additional data for use in national forecasting and planning and thus for joint forecasting as well. Joint forecasts have been used as the basis for reaching joint decisions. In formulating proposals regarding production specialization and collaboration, requirements are determined mainly on the basis of the information exchanged on the results of national forecasts, while joint forecasts are used to support planning for the further expansion of production capacity.

Co-operation in the area of forecasting is concerned not only with identifying and studying the possibilities for the solution of vital economic problems and the pooling of means and resources to attain a technical and economic level of forward planning on a par with advanced international standards, but also with the development of other forms of co-operation. The preparation of forecasts is one of the keys to the co-ordination of national economic plans and the formulation by interested countries of long-term goal-directed co-operation programmes, long-term programmes of production specialization and collaboration, long-term research and development programmes, and the like.

The subjects to be covered in the joint forecasts are determined by the interested CMEA countries. The organs of the Council participate in this work and are guided by the recommendations submitted by the countries concerned; these bodies organize the practical aspects involved in preparing the joint forecasts and assist the countries in using the results of the forecasts in line with their interests in specific areas. As a rule, joint forecasts are prepared for areas which are of particular interest to the economic development of the CMEA countries and are designed to reflect the advantages of the international socialist division of labour.

The range of these jointly prepared forecasts is extremely wide. It covers the fundamental areas of material production, science and technology, foreign trade and others where there are opportunities to broaden mutual co-operation. More than 300 forecasts have been or are being prepared by the Council, including forecasts dealing with the most critical general economic indicators, a certain number of forecasts covering more than one branch ("interbranch" forecasts), as well as forecasts for branches, sub-branches and individual production and product types.

Of the total number of jointly prepared forecasts (more than 250), approximately 200 are concerned with specific branches and deal with co-operative efforts in the area of material production.

In recognition of the fact that the continued economic growth of the CMEA member countries depends in large measure on the supply of electric power, raw materials and various kinds of fuel for the production sector, a number of energy, raw material and fuel forecasts extending through the year 2000 have been developed. These forecasts deal with the most important technical problems and the principal lines of continued technical and economic co-operation to meet national requirements.

Forecasts have been prepared on more than 20 of the subject areas of greatest current interest to ferrous and non-ferrous metallurgy. These forecasts contain an analysis of probable future scientific and technical advances in this sector along with estimated figures for the production and consumption of ferrous and non-ferrous metals through the year 2000, while further identifying specific supply-related problems facing the CMEA countries and reviewing their possible solutions.

On the basis of a number of forecasts developed for the CMEA Permanent Commission on the Chemical Industry, a generalized analysis has been prepared charting the future evolution of that industry. A great deal of work has been carried out in preparing forecasts regarding scientific and technical problems in this branch.

Other industries for which similar joint forecasts have been prepared include paper and pulp, engineering (machine-building), radio and electronics, light industry, food, building materials, and several more.

All these joint forecasts represent only a fraction of the entire effort thus far mounted in the area of multilateral forecasting by the CMEA countries. The result of this work has been to provide a far better understanding of the long-term evolution of co-operation between the CMEA countries in specific areas of economics, science and technology, and in societal and cultural affairs. The joint forecasts that have been prepared have found a number of uses: in multilateral and bilateral consultations for the co-ordination of five-year and other long-term plans, in the preparation of the corresponding sections of the individual countries' national economic plans, in the preparation of draft agreements on international production specialization and collaboration, and in carrying out other specific integration measures. In the majority of cases joint forecasts have been used to prepare the drafts of the long-term goal-directed programmes of co-operation and the measures incorporated in CMEA's Co-ordinated Plan of Multilateral Integration Measures for the period 1976-1980 and planned for inclusion in the CPMIM for the new five-year period.

3. Instruments for promoting more extensive specialization and collaboration in the manufacturing industry

The most distinctive form of production co-operation between the CMEA member countries is international specialization and collaboration in the production sector.

In the "Basic Principles of the International Socialist Division of Labour" (1962) specialization between states is defined as "the concentration of the production of goods of the same kind in one or several socialist countries as a means of satisfying the requirements of the interested countries, the attendant raising of the level of production technology and organization, and the establishment of stable economic ties and production collaboration between the countries. From this definition it is clear that international production specialization and collaboration between the CMEA countries is essentially analogous to "industrial collaboration" in the sense in which that term is used by economists in a large number of countries.

In further development of the "Basic Principles" mentioned above, during the 1960s the CMEA Executive Committee adopted a number of documents<sup>1/</sup> which provide a basis for comprehensive solutions to the problems of international production specialization and collaboration and for the close co-ordination of all their aspects: production, science and technology, commercial operations, organizational and legal matters, investments, pricing, patents and licences, and co-operation with third countries.

As one of the most effective means of bringing about the further deepening and improvement of economic, scientific and technical co-operation and the development of socialist economic integration, the "Comprehensive Programme" (1971), in its analysis of the expansion of planned international specialization

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<sup>1/</sup> "Principles of International Production Specialization and Collaboration among the CMEA Member Countries in the Engineering Industry Sector" (1962); "Effective Measures for the Improvement of Work in the Area of Production Specialization and Collaboration with Particular Reference to Procedures for the Preparation, Finalization and Implementation of Production Specialization and Collaboration Projects" (1967); "General Conditions of Production Specialization and Collaboration between Organizations of the CMEA Member Countries" (1979); et al.

and collaboration in the production sector, identified a number of specific measures to promote mutually advantageous production co-operation, in particular international specialization and collaboration in the manufacturing industry sector.

Each of these measures on international specialization and collaboration in the area of production is aimed not only at satisfying the needs of the participating countries for particular products, but also at enhancing their economic efficiency in order that, through a rational division of labour between them, the CMEA countries may attain a high scientific and technical level of production contributing to the greater competitiveness of their industrial products.

In respect of those countries which formerly lagged behind in their economic development this means the construction of new and modern enterprises, indeed even the creation of whole new branches of industry. For countries, on the other hand, with previously more or less developed industries what is involved is primarily the structural improvement of their industrial production establishment and the introduction of more advantageous product lines through both the building of new enterprises and the modernization of existing plants and factories. In either case, the production programme is aimed at meeting the requirements not of any one country but of several and occasionally even all the CMEA members, and also of increasing deliveries to third countries outside the community.

The measures called for in the Comprehensive Programme are implemented in various ways by the CMEA organs at all levels. For example, one of the principal subjects which the member countries discuss during their consultations on key aspects of economic policy concerns the guidelines and instruments that shape their co-operation with each other in the production sectors of greatest importance. Here the principal instrument is the co-ordination of the national economic plans of the CMEA member countries. Co-ordination of this kind involves the review and harmonization of such critical questions of CMEA industrial co-operation as:

- The major trends in scientific and technical progress in the branches in question;

- The organization, through international specialization and collaboration, of a rational scale of production on the basis of modern technology, with a gradual transition, as required, to co-ordinated unified systems of items;
- The co-ordination of investments in production specialization and collaboration programmes for the purpose of achieving the maximum economic effect in the establishment of new production capacity;
- Product lists, production volume, scheduling and delivery conditions under production specialization and collaboration arrangements.

These measures for international production specialization and collaboration represent the result of a great deal of preparatory work carried out by working groups of CMEA country experts set up to deal with specific product types. The work of these groups is finalized in the decisions of the competent organs - the Council's permanent commissions for the industrial branches in question or the governing boards of international economic organizations (in the case of multilateral co-operation) and the intergovernmental commissions on economic, scientific and technical co-operation (in the case of bilateral co-operation). Guided by the data made available through information exchanges on the evolution of the industrial branches in question and the requirements of the individual countries for the products of these branches, these bodies are instrumental in harmonizing the positions of the parties to the negotiations on the issues under discussion.

The above-mentioned organs, particularly CMEA's permanent industrial commissions, directly supervise all stages of the work entailed in preparing, concluding and implementing agreements on international production specialization and collaboration. The participating countries are represented in these organs by senior officials (usually ministers or their deputies) responsible in their own countries for the development of the production branches and sub-branches in question and invested with broad authority. As a consequence, by their work these bodies help to speed the preparation of agreements for conclusion on the basis of the mutual interests of the participating countries and contribute to ensuring that these countries successfully meet their commitments under already existing agreements.

The role of the organizational machinery for the joint monitoring of multilateral agreements is performed by the so-called Conferences of Plenipotentiaries of the Contracting Parties, which are provided for in the agreements themselves. These Conferences are attended by the directors (or other senior officials) of the organizations, production enterprises or foreign-trade associations of the participating countries that have signed the specialization and collaboration agreements. The Conferences are convened regularly, usually once a year. The plenipotentiary representatives exchange information on the progress of work under the agreements and on the projected requirements of their countries for the products in question over the period ahead, thereby making it possible to correct the initially contracted commitments as required.

An even more important function of these Conferences is their review of the opportunities for the further development of co-operation. Decisions reached by the parties along these lines are incorporated into the agreements in the form of additional protocols calling for an expansion of the list of products manufactured under the specialization and collaboration arrangements already in effect and the extension of the life-time of the agreements.

Up until the end of the 1960s and the beginning of the 1970s the CMEA bodies accepted recommendations on international specialization and collaboration (a total of several thousand such recommendations were submitted, about five thousand of them in the engineering industry sector). At the present time, in place of recommendations on the production or non-production of specific items, a more effective form of agreement is in effect - the conclusion by interested countries of agreements covering a period of not less than five years.

To date the member countries of the Council for Mutual Economic Assistance have concluded among themselves more than 100 multilateral agreements (including some 80 in the engineering sector) and more than 1,000 bilateral agreements on production specialization and collaboration. These agreements, which are on the whole of a complementary nature, involve large-scale deliveries among the member countries of a wide range of goods manufactured under production specialization and collaboration arrangements and covered by long-term contracts. The result is the emergence of specialized branches of industry in each of the countries.

In the engineering industry sector, for example, Bulgaria has already developed as such branches and sub-branches the production of electric vans and motor trolleys; Hungary - the production of buses; the German Democratic Republic and Poland - shipbuilding and machine-building for the chemical industry; Romania and the USSR - the production of oil-drilling equipment; the USSR - a number of heavy machine-building sectors; the USSR and Czechoslovakia - the production of large-capacity trucks; etc.

At present, some 75 per cent of the engineering industry items covered by multilateral production specialization and collaboration agreements between CMEA countries are manufactured in not more than two countries, and 50 per cent of these in only one country.

Goods produced under co-operative arrangements of this kind are accounting for an increasing share of the trade between these countries, especially trade in machinery and equipment. While in 1971 less than 1/5 of engineering industry deliveries between the CMEA countries fell under the category of multilateral and bilateral production specialization and collaboration agreements, in 1975 the figure was about 1/4, in 1978 almost 2/5, and by the end of 1980 it is expected to reach nearly one-half of the total volume of trade in the engineering industry branch.

Even now more than 40 per cent of the trade within the CMEA community is accounted for by industrial equipment and machines of all kinds, while in absolute terms trade in these products has exceeded the total volume of commerce between the CMEA countries in 1970. At the same time that these countries satisfy more than 60 per cent of their requirement for imported machinery and equipment through trade with one another, they are placing special emphasis on the export of industrial equipment for enterprises being newly built or reconstructed.

An altogether normal consequence of the co-operation of the CMEA countries may be seen in the substantial shifts that have occurred in the structure of industrial production in these countries. In fact, during the period 1950-1977 the share, in the total volume of the industrial production of the Council's individual countries, of those sectors - electric energy, engineering and chemistry - which play a critical role in the acceleration of scientific and technical progress rose from 14-32 per cent to 35-48 per cent. This was accompanied by a convergence of the patterns of export of the CMEA members.



As they continue to build on their international production specialization and collaboration agreements, the CMEA countries must contend with the fact that these arrangements involve countries which not only differ in terms of the size of their territory and population and the scale of their economies and internal markets, but which have also inherited different levels of economic development from the past. For some of these countries, international specialization and collaboration entails major restructuring of traditional production patterns; for others, the accelerated mastery of new production techniques. Careful attention must be given to the co-ordination of the lists of products to be manufactured under specialization and collaboration agreements and to pricing policies, since it is essential that each measure adopted should be mutually advantageous to all the sovereign countries concerned. In order to meet these conditions, the member countries and the bodies of the Council are engaged in a major effort to bring about the economic prerequisites for the further development of international specialization and collaboration, specifically through the design of more effective instruments for planning and stimulating such specialization and collaboration in the production sector.

4. Forms of co-operation between the CMEA member countries in meeting their raw-material and energy requirements

For more than 30 years the Council for Mutual Economic Assistance has focused priority attention on the whole area of multilateral, mutually advantageous co-operation for the development of the branches of industry concerned with fuel, energy and mineral raw materials. Article III of the Council's Charter emphasizes that the Council "...organizes comprehensive economic, scientific and technical co-operation among the Council's member countries to contribute to the most rational use of their natural resources and the accelerated development of their production capacity, and promotes the development of socialist economic integration".<sup>1/</sup>

Another fundamental document, the Comprehensive Programme for the Development of Socialist Integration between the CMEA member countries, states that one of the purposes in improving co-operation and developing socialist economic integration is to promote "...the development in the countries of a rational economic structure contributing to the comprehensive use of natural resources".<sup>2/</sup>

The various issues involved in furthering the co-operation of the CMEA countries in the extraction industries sector are discussed and resolved, in a manner consistent with the interests of all the participating countries, at the meetings of the Council's different organs: the Session of the Council, the Executive Committee, the various permanent commissions,<sup>3/</sup> and the appropriate departments of the CMEA Secretariat.

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<sup>1/</sup> The CMEA Secretariat. Basic Documents of the Council for Mutual Economic Assistance. Vol. 1. Third, augmented edition. Moscow, 1976; p. 11.

<sup>2/</sup> Ibid., p. 108.

<sup>3/</sup> For example, the Permanent Commission of CMEA on the Peaceful Uses of Atomic Energy (established in 1960), the Permanent Commission of CMEA on Geology (established in 1963; prior to 1958 the Permanent Commission of CMEA on Economic, Scientific and Technical Co-operation in the Area of Geology, established in 1956, had been in operation) and, all established in 1956, the Permanent Commission on Electric Power (which until June 1958 had operated under the title of the Permanent Commission of CMEA on the Sharing of Electric Power between the Participating Countries and the Comprehensive Use of the Hydrological Resources of the Danube), the Permanent Commission on the Coal Industry, the Permanent Commission on the Petroleum and Gas Industry, the Permanent Commission on Ferrous Metallurgy, the Permanent Commission on Non-Ferrous Metallurgy, and others.

While taking rational measures to safeguard the human environment, the CMEA countries nevertheless exploit all varieties of raw materials, fuels and energy on a fairly extensive basis. The production of fuel, energy and raw materials in the CMEA member countries is increasing in a dynamic and balanced manner (see table 1).

Table 1

Output of specific products in the extraction industry sector

Production category	World total		CMEA countries		1977 in percentage relation to 1955	
	1950	1977	1950	1977	World total	CMEA countries
Electricity generated (gross production), billions of kW/h	989	7,252	137	1,545	733	11.3-fold
Coal (commercial) mined, millions of tonnes	1,826	3,382	548	1,353	185	244
Oil (incl. gas condensate) extracted, millions of tonnes	521	2,962	44	566	568	12.9-fold
Natural gas extracted, billions of cubic metres	191	1,459	9.2	379	746	41.2-fold
Iron ore (commercial-grade) mined, millions of tonnes	251 <sup>1/</sup>	840	41.3	245	335	593

<sup>1/</sup> Undressed.

On the whole, the CMEA countries have considerable reserves of coal, iron ore, oil, gas, many non-ferrous metal ores, potash salts, phosphorus-containing raw material and many other minerals; however, these resources are not uniformly distributed over the territory of the member countries. Accordingly, the multilateral co-operative agreements entered into by these countries are an important factor in enabling them to meet their requirements for electric energy and the most essential fuels and raw materials.

The forms and methods of co-operation employed by the CMEA member countries in satisfying their fuel, energy and raw material requirements, as determined on the basis of sound economic criteria, are arrived at through mutual agreement between the interested countries. The approach which has been developed over a period of time and is currently in use involves an integrated system of sectoral co-operation modalities according to which the national requirements of the individual CMEA countries, identified on the basis of sound economic and technical criteria, are matched against their over-all capability to satisfy these requirements.

The following are the most important forms of multilateral co-operation in use among the CMEA countries:

- Deliveries from one country to another of fuel products and raw materials in line with traditional international trading practices;
- Jointly conducted geological survey operations for the purpose of adding to identified reserves of essential raw materials and fuel sources;
- The build-up in the producer countries of the production capacity for fuel, energy and mineral raw materials for the purpose of increasing exports of these products to other CMEA countries;
- The joint construction (and, in some cases, the joint operation) of enterprises for the extraction, enrichment and processing (refining) of various fuels, raw materials and energy sources, and also of power transmission lines and of gas and oil pipelines;
- The granting of tied credits, including loans from the International Investment Bank, for the expansion, on the basis of special agreements, of production capacity for specific raw materials and fuel products in the exporting countries;
- The making available by importing countries to producing (exporting) countries of the contractual services of building-and-installation organizations, material resources and, when required, manpower for the construction of facilities for the production (or transport) of those fuel, energy and raw material products which they are interested in acquiring;

- The establishment of scientific research organizations to seek solutions to the major geological, technical and production-related problems involved in increasing the production of various fuel, energy and raw material products, the rational use of fuel, energy and raw materials, and the replacement of particular kinds of raw materials and fuels by other, more advanced varieties;
- The establishment of international organizations specializing in the planning and building of extraction industry facilities, the production of fuels, energy and raw materials, and the distribution of these products among the participating countries;
- The co-ordination and joint conduct of research and development programmes for the design and introduction of advanced, high-efficiency technology and equipment for use in increasing the output of fuels, energy and raw materials.

The multilateral co-operation of the CMEA member countries in the extraction industry sector is based on the co-ordination of the national five-year economic development plans, the Co-ordinated Five-Year Plan of Multilateral Integration Measures (CPMIM) of the Council members, the co-operation of these countries in the area of forecasting, and other common initiatives. Of great importance to the further development of co-operation in these areas will be the formulation and subsequent implementation of long-term goal-directed programmes of co-operation in key branches of the economies of the CMEA member countries, especially such programmes in the area of fuels, energy and raw materials.

At the present time some 30 large-scale installations, mainly in the fuel, energy, metallurgical and chemical branches, are being built through the concerted efforts of the CMEA countries. Some of these installations have already become operational, while for others construction will be completed in the next few years. The actual building of these joint installations is preceded by detailed work to provide a comprehensive justification of the terms and conditions under which the interested countries are to pool their material resources and financial contributions, and to co-ordinate and finalize the reciprocal obligations of the countries taking part in the construction. Following this, in every case an over-all (multilateral) agreement setting forth in general terms the conditions acceptable to all parties concerned in the joint venture in question is prepared and signed by the responsible representatives of the participating countries. Subsequently, this general agreement serves as the basis for the signing of bilateral agreements (protocols) which specify such areas as the identity of the parties responsible for carrying out the work, their detailed obligations, time-tables of completion, performance penalties, and the like.

Agreements of this kind provide the basis, specifically, for the erection at the present time on Soviet territory of a number of enterprises which, when operational, will contribute to improving the supply of a whole range of vital fuel, energy and raw material products for the economies of the Soviet Union and the other CMEA member countries. The countries participating in the building of these enterprises will annually receive from them 205,000 tonnes of cellulose (following the start-up of the Ust-Ulimsk cellulose plant with its capacity of 500,000 tonnes of bleached sulphate cellulose a year), 177,000 tonnes of asbestos (with the start of operations by the Kiembraev Asbestos Ore-Dressing Works, which is designed to produce 500,000 tonnes of asbestos a year), 5.3 million tonnes of iron ore, 210,000 tonnes of ferroalloys, 6.4 billion kilowatt-hours of electric power and 15.5 billion cubic metres of natural gas.

Through the joint efforts of the CMEA member countries exploratory surveys are being conducted in Mongolia to locate deposits of coking and fuel coal, phosphorus-containing ore and non-ferrous metals. Successful work is being performed by the International Geological Expedition, which is an initiative of a number of interested CMEA member countries and has already discovered evidence of a large number of minerals within Mongolia.

Under a joint project, Bulgaria, Czechoslovakia, Cuba, the German Democratic Republic, Hungary, Poland, Romania and the Soviet Union are building a nickel plant in Cuba at Las Camariocas which is to have a yearly production capacity of 30,000 tonnes of metal.

Nuclear energy is destined to become a major factor in the energy balance of the CMEA countries in the years immediately ahead. By the end of 1978, the total installed capacity of the nuclear power plants in the CMEA countries had reached 9,000 MW (as opposed to 1,100 MW in 1971). By 1981 a number of nuclear power plants with an aggregate installed capacity of 37 million KW will be built in the European countries of the community and Cuba with Soviet technical assistance.

The CMEA countries are actively co-operating to satisfy their requirements for equipment for the extraction (production) and processing of a number of fuel and raw material products, ferrous and non-ferrous metallic ores and mined and quarried chemicals, as well as for the components and parts for this

equipment. Specifically, new plants are to be built (and existing plants modernized) to produce mining equipment for underground and open-cast working, to cite but one example. Finally, there is to be a further intensification of international production specialization and collaboration, particularly as regards the manufacture of equipment for downstream oil refining, etc.

Another important area of co-operation between the CMEA countries which has received a great deal of attention is concerned with their joint efforts to develop and introduce systems specially designed to economize energy, fuel, raw materials and primary resources in general. Specific examples of such programmes may be seen in the joint development of economical - in some cases, waste-free - technologies together with the corresponding advanced equipment for such industries as iron and steel, paper and pulp, metalworking and others. With a view to saving materials and semi-finished products, an extensive information-exchange programme has been instituted between the research organizations and production enterprises of the CMEA member countries.

Thus, in their approach to the problem of ensuring their economies a steady supply of fuel, energy and raw materials the countries of the Council rely on the strengthening and further development of their mutual co-operation through the pooling of their financial and material resources and, in individual cases, their manpower.

To this same end, the CMEA countries co-operate not only among themselves, but with third countries as well (this possibility, among others, being implicit in the concept of the long-term goal-directed programme of co-operation).

5. Ways of contributing to the industrial development of the less developed CMEA member countries

From the very first days of CMEA's activities the founders of this international organization have addressed their efforts to the task of overcoming the inherited industrial backwardness of a number of the member countries. The general aspiration of the member countries of the Council to promote the "...raising of the level of industrialization of the countries with less developed industries.../and/...the gradual convergence and equalization of the levels of economic development of the member countries of the Council..." is laid down in article one of the Charter of the Council for Mutual Economic Assistance, which sets forth the organization's basic objectives and operating principles.

The principal means for bringing about the gradual convergence and equalization of the levels of economic development of the CMEA countries are, first of all, the maximum mobilization and effective use of the resources and efforts of the countries themselves and the exploitation of the advantages inherent in the socialist division of labour.

The Comprehensive Programme of Socialist Economic Integration refers to a number of practically proven ways and means of gradually narrowing and eliminating the gap separating the levels of economic development of the associated countries and of providing all-round assistance to the industrially less developed among them. These ways and means include:

- The making available to the industrially less developed countries of opportunities to participate extensively in schemes of international production specialization and collaboration;
- The provision to these countries of effective assistance to enable them to maintain high standards in their technology and in the quality of the specialized products which they manufacture;
- The provision to these countries of technical assistance in the planning, construction and start-up of industrial installations up to and including the successful introduction of series production;
- The involvement of the industrially less developed countries in research and development programmes on a jointly co-ordinated and co-operative basis, and also their involvement in various forms of co-operation, including participation in the international scientific and technical organizations established by the CMEA countries;



- The transfer of technological documentation, prototypes, licences and other research and development spin-off products on the basis of agreement between the countries concerned, both free of charge and for a fee according to the arrangements reached between the countries and depending on the scientific and technical substance of the documentation and its value;
- The transfer of production and professional know-how and the dispatch of skilled specialists;
- The furtherance of co-operation in the training of scientific and technical personnel;
- The organization of effective co-operation in the matter of logistic support for scientific research in the form of apparatus, equipment, instrumentation and materials in short supply;
- The provision of assistance in carrying out geological surveys and in processing and using natural resources;
- The provision of comprehensive assistance in the development of standardization and metrology, in particular through the establishment and appropriate equipping of laboratories;
- The granting of concessional terms on credits granted by the International Bank for Economic Co-operation to countries whose export trade is of a markedly seasonal nature;
- The granting of credits by the International Investment Bank, with particular attention to the organic linkage between the operations of this Bank and CMEA's policies for the further development of socialist co-operation and the gradual convergence and equalization of the levels of economic development of the member countries, and in keeping with the usual criteria applied to ensure the effective use of the loans granted. The Bank's credit operations, it should be noted, are not a substitute for the customary credit-granting principles and practices based on bilateral economic co-operation and mutual assistance agreements between governments.

As efforts to expand co-operation continue, still other modalities (including some on a charge-free basis) may come to light for providing assistance for the more rapid and effective economic development of the industrially less advanced CMEA member countries.

During the initial period of CMEA's activities alone, the Soviet Union, the German Democratic Republic and Czechoslovakia granted the less developed countries long-term credits totalling more than nine billion roubles on concessional terms (interest-free or at a rate of 1-2 per cent per annum). These sums were mainly in the form of commercial loans consisting of investment and

raw-material credits, the effect of which was to add substantially to the sources of accumulation (plants, factories and other production enterprises) in the less developed countries. For example, the commercial credits extended to Bulgaria represented 27 per cent of total capital investment in that country's national economy during the ten-year period from 1947 to 1957. The equipment, raw materials and basic supplies provided by the Soviet Union, the German Democratic Republic and Czechoslovakia, together with the industrial enterprises and other installations built with their assistance, have formed the foundation for the industries of the community's formerly less developed countries.

All these measures have contributed to bringing about a situation wherein at the present time all the European member countries of the Council have evolved modern national economic structures and have substantially narrowed the gaps in economic development separating them. Over the period from 1950 to 1977 the discrepancies between the countries with maximum and minimum per capita economic indicators decreased from a factor of 3.2 to 1.3 in terms of national income and from a factor of 5 to 1.5 in terms of gross industrial output.

In the Comprehensive Programme of Socialist Economic Integration the gradual convergence and equalization of the levels of economic development of the CMEA member countries is declared to be one of the paramount development objectives of the integration process. The section of the Programme specially devoted to this problem of economic convergence and equalization calls attention to the topicality of this problem in the light of the demands of the revolution in science and technology and defines how and according to what principles this levelling process is to be brought about, emphasizing that within the CMEA community the central issue of economic convergence and ultimate equalization must be taken into account in all areas and in all concrete co-operation modalities. The Programme specifically identifies the measures to be taken to speed the growth and improve the efficiency of the Mongolian economy. As the membership of the Council has been expanded, the privileges granted to Mongolia have been extended to Cuba and Viet Nam as well.

Both prior to the adoption of the Comprehensive Programme and during the period of its implementation, Mongolia has been rapidly building a modern industry with the assistance of the Soviet Union and the other CMEA countries. Modern enterprises have been and are being built in that country on the basis of long-term soft loans (including non-repayable assistance) and arrangements for the joint construction and operation of the facilities.

By 1978, a total of 345 installations, 117 of them of an industrial nature, had been built in Mongolia with Soviet technical assistance. These include the "Erdenet" copper-molybdenum ore-dressing works (operated under a joint ownership arrangement) with its own power transmission line extending 272 km from the Soviet border. At the industrial centre of Darkhan a house-building enterprise with a construction capacity of 70,000 m<sup>2</sup> of living space a year has been established, a production base for the building organizations of the water-management sector has been erected, and motor roads, repair and machine shops and the teaching buildings of a specialized technical institute and two schools have been built. In Mongolia at the present time industrial enterprises built with the technical and economic assistance of the Soviet Union account for more than 40 per cent of that country's gross industrial output, including 90 per cent of the electric power generated and 80 per cent of the coal mined.

Over the period 1976-1980 an additional 240 facilities will be built and large-scale aid for the development of virgin lands and the construction of residential housing will be provided. During the current five-year period a total of nearly 70 per cent of all capital investments in the Mongolian economy will be funded through Soviet technical and economic assistance.

In addition to the projects mentioned above, by the year 1978 the German Democratic Republic had provided Mongolia with assistance for the construction, at Ulan Bator, of a printing and publishing enterprise, a large meat-packing plant and a carpet factory, for the expansion of the tungsten enterprise at Buren Tsog, and for the establishment of the Bornuur state collective farm. With the assistance of the Polish Government a woodworking complex has been built along with a silicate brick works, a hide glue plant, and a number of motor vehicle repair and service stations. Czech assistance has been involved in the building of a footwear factory, a cattlehide processing plant, a leather industry production and research centre, and a hospital complex at Ulan Bator. Finally, a sheepskin coat factory at Darkhan, a meat-packing plant at Choybalsan and a hothouse at Ulan Bator owe their existence to help received from the People's Republic of Bulgaria, while Hungary has made available assistance for the construction of a biological preparations complex and a sewn goods factory at Ulan Bator and, a meat-packing plant at Darkhan and for the carrying out of geological survey and water management projects.

Under the system of long-term goal-directed programmes of co-operation the CMEA member countries are planning to apply the multilateral approach to further projects in Mongolia to bring on stream large deposits of coking coal, phosphorites, copper-molybdenum ore and other mineral resources and for the construction of a substantial number of industrial enterprises.

Since 1960 the Soviet Union has contributed large-scale assistance for the economic development of the Republic of Cuba. The USSR has granted Cuba 300 million roubles in long-term (25-year) credits repayable at a rate of 2.5 per cent per annum for the financing of the planning and design work and the necessary materials and equipment for the building, reconstruction and modernization of enterprises in the textile, energy, oil-refining, nickel-extraction and sugar industries, for geological surveying, for the expansion of transport and communications systems, and for projects in other sectors of the Cuban national economy.

Under the terms of the new agreement on economic and technical assistance between Cuba and the Soviet Union concluded in April 1976, the volume of assistance to be made available by the USSR during the next five years will be 2.5 times greater than that delivered during any of the preceding five-year periods. There are plans to build a fully integrated steel mill which will enable Cuba to produce more than one million tonnes of steel a year, and to carry out the planning and surveying work for the construction of the country's first nuclear power plant. In 1976, enterprises built, enlarged and modernized with Soviet technical assistance produced approximately 30 per cent of the total national volume of finished rolled steel products and 75 per cent of the country's nitrogen fertilizer.

There has been a steady increase in multilateral assistance to the Cuban economy. For example, the long-term goal-directed programme of co-operation in the area of fuel, energy and raw materials provides for the building of a nickel plant at Moa (in the northeast of the island) and for the modernization of the Punta Gorda metallurgical works, which will have a capacity of 30,000 tonnes of nickel a year. A joint programme has been prepared to increase the production and processing of citrus fruits, and another to implement a series of measures for improving sugar production and organizing the production of cellulose from sugar-cane bagasse.

Following the admittance of the Socialist Republic of Viet Nam to CMEA membership, the member countries stepped up their assistance for the development of the Vietnamese economy. Specifically, by the beginning of 1978 a total of 181 large industrial enterprises and other installations had been built in that country with Soviet assistance. Within the over-all volume of domestic industrial output these enterprises accounted for 100 per cent of the production of tin, sulphuric acid and superphosphates, 82 per cent of the metal-cutting machine tools manufactured, 71 per cent of the coal mined, and 61 per cent of the electric power generated.

During the current five-year period the USSR has made available very substantial credits to Viet Nam on concessional terms and is providing assistance in the construction of Southeast Asia's largest hydroelectric power plant on the river Da (output 1.7 million kW), the Hetam coal mine (capacity 2.4 million tonnes of coal a year), the Falai thermal power station (output 500 MW), the Bimshop cement works, and a house-building complex at Hanoi and Haifong.

In recent times the CMEA member countries have approved co-ordinated measures for the construction in Viet Nam of a sizable number of important industrial enterprises and for the general overhaul of the railway linking Hanoi and Ho Chi Minh City.

A major factor in narrowing and finally closing the gap in the economic development of individual CMEA member countries is the assistance of the more developed countries of the community in the training of skilled personnel.

Of particular importance to the industrial development of Viet Nam, Mongolia and Cuba has been the preparation of the programmatic document entitled "Consolidated Programme of Specific Measures for the Convergence and Equalization of the Levels of Economic Development of the CMEA Member Countries Included in the Long-Term Goal-Directed Programmes of Co-operation". The practical implementation of the measures contained in this document must make a maximum contribution to the acceleration of the economic development of Viet Nam, Mongolia and Cuba, the improvement of the efficiency of their economies in the light of their natural and other conditions, and the creation of the prerequisites necessary for them to catch up with CMEA's European member countries in every respect.

6. Ways and methods of ensuring scientific and technological progress and the reciprocal transfer of technology

A necessary condition for the exploitation of scientific and technological progress as a factor in intensifying and raising production efficiency in the public sector both within CMEA as a whole and in its individual member countries is the expansion and improvement of international co-operation in the area of science and technology.

The international co-operation of the CMEA countries in this area is steadily growing in scope, deepening in terms of the substance of their joint undertakings, and improving in respect of the modalities through which it is carried out. Since the adoption of the Comprehensive Programme, an element of stability and universality has been introduced into the relations of the CMEA member countries in the area of science and technology. There has been an increase in the number of agreements concluded, and a fruitful quest has been begun seeking the most effective ways to marry science with production. This expansion and deepening of scientific and technological co-operation has led to the need to co-ordinate and synchronize the science and technology policies pursued in the individual countries.

The body responsible for organizing multilateral scientific and technological co-operation, with interested countries carrying out five-year and longer-term research programmes, and for the systematic supervision of this effort is the CMEA Committee on Scientific and Technical Co-operation. The Committee sees to it that the most critical issues of co-operation between the CMEA countries in the realm of science and technology are comprehensively reviewed and resolved on a multilateral basis. In a more specific sense, the Committee arranges consultations between the countries regarding key areas of science and technology policy, ensures the multilateral co-ordination of the sections on science and technology in the member countries' economic development plans in relation to critical problems of mutual interest (both on a short- and longer-term basis), organizes co-operative research and development projects on important scientific and technical subjects, formulates recommendations on the practical application of the latest achievements of science and technology in the national economies of the member countries and on the

provision of assistance to the industrially less developed members to enable them to achieve faster and more effective growth in this sector, and performs other functions of a similar nature.<sup>1/</sup>

The plans for the co-operation of CMEA countries in conducting scientific and technical research of common interest are prepared by the Committee, the appropriate permanent commissions, and the other CMEA bodies. These plans are used to develop a consolidated plan of co-operation for research in areas of common interest.

Among the aspects covered in the plans for scientific and technological co-operation are problems of major importance for the long-term development of the economies of the member countries and of science itself, problems of a fundamental and applied nature which have implications for more than one branch of the economy and which require a multidisciplinary approach, and also research with a direct bearing on the evolution of specific sectors of the economy, including research connected with production specialization and collaboration in the corresponding economic branches in the CMEA countries. The plans also contain problem-oriented scientific and technical research projects (broken down on a subject-by-subject basis) and also independent thematic projects with an accompanying statement of objectives pursued and results expected.

The consolidated plan for scientific and technological co-operation includes the research projects of the problem-oriented plans and their principal subject areas. These plans are formulated on the basis of proposals submitted by the member countries.

For the practical implementation of these co-operative plans following their finalization, a system has been established which covers the organizational modalities of multilateral scientific and technological co-operation. Under this system the CMEA member countries are making successful use of both the traditional approaches to co-operation (e.g., exchanges of findings, missions by scientists and specialists, etc.) and also the more recent forms provided for under the Comprehensive Programme. The latter include such things as the

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<sup>1/</sup> Basic Documents of the Council for Mutual Economic Assistance, Vol. 1. Moscow, 1976; pp. 215-221.

co-ordination of scientific and technological research of common interest; collaboration in research projects on the basis of agreements and contracts; the joint conduct of research programmes through the establishment by the interested countries of international research institutes, planning and design organizations, jointly operated laboratories and departments; and direct co-operation between the responsible bodies and organizations of the member countries.

In the case of co-ordinated scientific and technological research projects, the actual research and development work is carried out by the individual national organizations of the member countries according to an agreed programme and with the work load divided among the co-operating institutions, one of which is appointed to function as the lead organization for a selected problem or subject area. The progress and results of the work are discussed at scientific co-ordination meetings which are periodically called by the lead organization and - in the case of problems of a more comprehensive nature - at scientific and technical councils. As part of the co-ordination effort, related experiences are exchanged, studied and summarized and documentary information pertaining to the research projects is circulated.

When research projects are co-ordinated on the basis of agreements and contracts, the co-operating parties may be ministries, agencies and other governmental bodies authorized under the laws of the country in question to conclude agreements of this type. The research is conducted mainly by the national organizations with the work of the programmes broken down into co-ordinated segments (each with its own time-table) and partitioned in this way among the participants. The subject of the contract need not be limited to research and design activities as such, but may involve the creation of prototypes of new articles or materials or the development of advanced technological processes.

Whenever necessary, the interested countries may agree to set up a co-ordination centre to function as the co-ordinator for the individual national organizations engaged in a co-operative project in a given problem area. Normally, the role of this kind of co-ordination centre is assumed by a research or design organization which has the required scientific and technological base. As a rule, a council of authorized agents (governing board) is established



to resolve questions connected with the performance of the research agreements and programmes and also to exercise general oversight over the work of the centre. Scientific and scientific-technical councils are also set up to assist in the carrying out of the programmes.

At the present time more than 100 multilateral agreements have been signed in important areas of science and technology and are being carried out under the supervision of boards of commissioners of the kind described above. In order to organize the work under 56 of these agreements, co-ordination centres have been established, the responsibilities of which are performed by organizations of the CMEA member countries.

In the case of fundamental and applied research projects in the most critical areas of science and technology, international teams are formed through agreement between the concerned countries to perform the work on a joint basis. As experience in this area indicates, these teams are set up at one of the national research or design organizations where they then function as a kind of international research institute or even laboratory or department. It may also happen that scientists are brought together to form temporary international teams charged with carrying out specific research and design projects on the basis of a programme agreed by the participants.

In recent years the CMEA member countries have formed two international teams of scientists, two international laboratories, one research and four economic organizations (which also work in the area of scientific and technological co-operation), four international institutes, and three international centres for the advanced training of specialists in the area of multilateral co-operation. Under the category of bilateral co-operation there has been a further strengthening of the direct ties linking the ministries and governmental departments of the CMEA countries, between which some 400 agreements and contracts in the area of scientific and technological co-operation have been concluded.

The main distinguishing feature of the current stage in the development of scientific and technological co-operation within the Council is the consolidation and refinement of the principle of long-term advance planning. One of the new approaches in planning co-operative projects within the CMEA community involves the preparation of the Co-ordinated Plan of Multilateral Integration Measures for 1976-1980. This plan contains a large number of measures to

promote multilateral integration and co-operation in the area of science and technology and marks a transition to the practical implementation of the concept of "through" planning covering the entire cycle "research - hardware - production".

This plan includes 17 science and technology areas keyed to the subjects of greatest concern to the national economies of the CMEA member countries as indicated in the Comprehensive Programme: the rational use of existing fuel and energy resources and the bringing on stream of new reserves, the development of techniques to protect metals against corrosion, the comprehensive use of timber resources, the design of biomedical instruments and apparatus for scientific research and clinical medicine, plant-health research, the development of effective methods for the production of protein-rich substances, the enhancement of the nutritional value of food products, and others.

The evolution in the modalities of international scientific and technological co-operation within the CMEA community has been accompanied by certain changes in the economic principles governing the proliferation of the linkages between the member countries in this area, the transfer of technology, and in particular the exchanges between them of the results of scientific research and development. At the Council's second session (Sofia, 1949) a decision was adopted calling for the transmission of scientific and technical information and documentation among the countries of the Council on an unremunerated basis, a fact which was to play an extremely important role in the development of co-operation among the CMEA member countries, in the acceleration of industrial development and the overcoming of their economic backwardness by the less developed of the members, and in the containment of expenses by the member nations of the community.

Towards the end of the 1960s the Council began to apply the principle of partial or full reimbursement of costs in connexion with the transmission by the member countries of the results of their scientific research and development activities. This, however, has not meant a departure from the principle of the unremunerated transmission of scientific and technological information and documentation, which continues to apply in cases when community members provide economic, scientific and technical assistance to less developed countries for the purpose of bringing their levels of economic, scientific and technical development up to the general standard.

Another aspect of considerable importance in this context is the expanding multilateral co-operation of these countries in the basic and advanced training of scientific and technical personnel. Indicative of this activity is the exchange of research students and fellows between the CMEA member countries in programmes which included nearly 11,000 persons during the period 1971-1976 and are expected to involve more than 16,000 persons during the period 1976-1980.

In accordance with the provisions of the Comprehensive Programme, CMEA has completed the organizational phase in the establishment of the International System of Scientific and Technical Information (ISSTI). There exist at the present time 17 international branch information subsystems and seven specialized international information subsystems. Participating in the effort to establish and develop this international information system are more than 170 national information agencies in the CMEA countries and also the International Centre for Scientific and Technical Information (ICSTI), which is working to lay the methodological foundation for the ISSTI system and expand the reference and information servicing of CMEA's official bodies.

Recently, added importance has been given to the use of licensing arrangements for the development of a number of the leading branches of the economy (notably those which have a decisive bearing on the pace of scientific and technological progress) and for equipping these branches with advanced technology. Considerable progress has been achieved in the exchange of licenses so that at the present time several hundred licensing agreements are in effect between the CMEA countries.

Alongside the transmission of technology in its "pure" form, of particular importance to the furtherance of technological progress in the CMEA countries is the transmission of scientific and technical know-how through the erection of enterprises and other production facilities, including those built through joint efforts.

Another valuable modality for speeding scientific and technical progress among the Council's member countries is represented by co-operation in the area of inventions and patents; the legal protection of scientific discoveries, inventions and rationalization suggestions; and also patent information and documentation. The CMEA countries have established their own international system of patent information.

Standardization is another area where joint efforts are being undertaken as part of the measures adopted to promote economic, scientific and technical co-operation. The effort in this area is aimed principally at the development of standards for products manufactured under agreements covering international production specialization and collaboration. By the end of 1978 the number of CMEA-developed and approved standards had approached 1,500.

The CMEA countries are also intensifying their co-operation in the area of science and technology with non-member nations as well.

7. Foreign trade and currency and financial arrangements as instruments for ensuring economic co-operation and integration among the CMEA member countries

An important factor in the industrial development of the CMEA member countries is their foreign trade, through which these countries not only acquire the machinery and equipment, raw materials and other goods which they require, but are also able to sell their own products through, among other means, agreements on international production specialization and collaboration.

Among the principal challenges facing the Council when it began its activities in 1949 was the task of expanding commercial and credit relations between the countries in close co-ordination with measures to increase their production of scarce goods, particularly those affected by the embargo imposed by the NATO powers.

During the period 1950-1970 trade among the CMEA countries increased in terms of value by a factor of 19.5. At present, approximately 60 per cent of the total foreign trade of these countries is with one another. During this same period the mean-annual increment in mutual trade among the CMEA countries was 11.6 per cent and was considerably higher than the growth rate for industrial production and national income in most other countries, a fact that attests to the increasingly extensive international division of labour within the community.

Trade with other socialist countries has experienced rapid growth. Over the period in question trade with developing countries increased by a factor of 31 and with the industrially developed countries by a factor of more than 15. Nevertheless, the CMEA countries still continue to satisfy their requirements for imported goods mainly through their trade with one another. In 1977 intra-community trade accounted for 63 per cent of all machines and equipment imported, 82 per cent of the oil and petroleum products, 99 per cent of the hard coal, 74 per cent of the iron ore, 71 per cent of the non-ferrous metals, 97 per cent of the sawn timber and 67 per cent of the industrial consumer goods.

An additional factor of major importance for the CMEA countries is the fact that within the CMEA community they enjoy long-term market guarantees for their products at prices which they themselves set to their mutual advantage.

In 1977, for example, of the total volume of machinery and equipment exported by these countries 78.7 per cent was sold within the community. Assured mutual deliveries of needed goods and a guaranteed market for domestic output is a major and essential factor in ensuring the stable development of the economies of the member countries.

The conclusion by the CMEA countries of large-scale and long-term contracts with non-member countries also exerts a stabilizing effect on the economies of these latter. An excellent case in point is Finland - the first of the non-socialist countries to sign a co-operation agreement with the Council for Mutual Economic Assistance.

Foreign-trade deals are concluded by foreign-trade organizations which are authorized to conduct such transactions, specialize in specific categories of goods, and are legally responsible vis-à-vis their foreign trading partners.

As their contribution to the preparation of the state's foreign-trade plans (which are, of course, ultimately based on the national economic development plan), the production enterprises and associations and foreign-trade organizations formulate proposals in the light of the general guidelines received from the government. These proposals are summarized and revised at the central foreign-trade, financial and planning institution level. The degree of detail contained in foreign-trade planning differs from country to country and from one category of goods to the next. Plans are most detailed in the case of goods which are of particular importance to the national economy or are in short supply. There are also differences in the methods used to bring forward the export and import plans to the production and foreign-trade organization level.

The CMEA member countries have joined efforts to devise a foreign-trade regulatory system to ensure the kind of stable and planned growth in this area which is an essential factor in accelerating the industrial development of each individual country. The system covers the following aspects:

(a) The legal regulation of trade on the basis of long-term commercial agreements and annual protocols.

As indicated in the Comprehensive Programme, "In order to ensure the steady economic development of the CMEA member countries, these countries will continue to conclude long-term commercial agreements and also annual protocols

regarding the mutual delivery of goods which are essential to the expansion of trade between them. Such long-term commercial agreements and annual protocols will contribute to the fulfilment of their national economic plans and the planned and balanced growth of their national economies. These agreements and protocols constitute a tried and proven method for ensuring that the economies of the CMEA member countries are supplied, according to plan, with the machinery, raw materials and other goods which they require and also that they are assured a market for the goods which they produce. Long-term agreements and annual protocols guarantee stability in the economic growth of the CMEA member countries and in the expansion of their trade relations".<sup>1/</sup>

The long-term trade agreements and annual protocols concluded between the CMEA countries establish quotas (in terms of quantity and value) for the major categories of raw materials, fuels, basic supplies, machines and equipment, agricultural and food products and consumer goods, in addition to laying down the most important delivery terms and conditions as agreed.

Both the quantitative and the value quotas for the goods covered in the long-term trade agreements and annual protocols have mandatory force and may be changed only with the mutual consent of the participating parties. There is also provision for trade in goods between the countries above the established quotas by expanding the lists and range of products which they are to supply each other.

(b) The general conditions governing the deliveries, technical maintenance and installation of equipment and also production specialization and collaboration, and the general principles regarding the supply of spare parts.

In order to simplify the commercial operations of the foreign-trade organizations of the CMEA member countries in organizing their mutual deliveries, standard terms and conditions have been developed and agreed within the Council for the conclusion of contracts, the shipment and quality control of goods, commercial and technical documentation, payment procedures, etc. Contracts usually contain references to these conditions. The Council has also devised uniform conditions governing the way installation and assembly work is

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1/ Comprehensive Programme (section 6, article 3).

to be performed by the supplier's specialists in the customer's country as part of deals involving the delivery of machinery and equipment. A major area of concern on the part of the production and foreign-trade organizations of the CMEA member countries is the technical servicing of exported equipment and the adequate supply of spare parts for it in accordance with agreed procedures and customary international trade practice.

Special measures have been planned for the purpose of expanding international production specialization and collaboration between CMEA countries on a mutually advantageous basis.

(c) General pricing principles.

The pricing system in effect for trade between the CMEA countries has developed on the basis of the general principles governing their relations and in the light of the objective situation within which these relations have unfolded. At the Council's ninth session in 1958 in particular, the participants reached agreement on the pricing principles and methods which continue to be in use to the present time, albeit with certain modifications made necessary by the emergence of new forms of co-operation between the countries of the community and the sharp increase in prices on the major international commodity markets. The customary practice in the case of most goods during the 1960s was to set contractually binding prices which were to remain in effect over a five-year period and were based on average world prices during the preceding five-year period. It is noted in the Comprehensive Programme adopted in 1971 that for the period ahead the CMEA countries will be guided "... by the price-setting principles currently in effect for mutual trade, i.e. they will set these prices on the basis of world prices after correction for the harmful effect of the cyclical factors of the capitalist market".<sup>1/</sup>

Similarly, in a special document approved by the CMEA Executive Committee on 15 May 1967 it is stated that contractual prices for specialized products are likewise to be based on world market prices, but that "... deviations from this basis may be agreed between the recipient (consumer) and the seller (producer)".<sup>2/</sup>

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1/ Comprehensive Programme (section 6, article 28).

2/ Basic Documents of CMEA. CMEA Secretariat. Moscow, 1977; p. 393.



In 1975, in view of the sudden increase in prices on major world markets, it was decided that the contractual prices for 1976 would be determined by the parties on the basis of average world prices for the period 1971-1975 but would thereafter be subject to annual review in line with the prices prevailing over the immediately preceding five-year period. With prices set in this way, contractual prices should gradually approach current world market levels. This is of great advantage to those CMEA countries which lack sufficient raw materials and fuel reserves, as it allows them to adjust their economies over a period of years to the new conditions created as a result of more expensive imported products.

An important instrument in promoting the more extensive integration of the CMEA member countries is the international currency-financial system set up by these countries. In effect, this system provides a means of organizing the community's intergovernmental currency and credit transactions.

The experience of many years in the operation of the international currency and financial system between the CMEA countries has brought clear evidence of its undoubted advantages. These consist in the fact that this system:

Enables the participating countries to settle their mutual accounts without the need to accumulate sizable foreign exchange reserves;

Services the planned and organized circulation of goods and services among the countries;

Ensures balance in mutual trade, stability in foreign trade turn-over and equilibrium in balance of payments;

Acts as an effective limiting factor against the inflationary pressures of the world capitalist market on the mutual economic relations of the CMEA member countries;

Protects relations between the socialist countries against the negative effects of the international money markets;

Makes possible the purposeful use of international credit machinery to provide assistance on favourable terms (low interest rates and long repayment periods) to the economically less developed socialist countries for the purpose of equalizing the levels of economic development of the co-operating countries and thereby facilitating the use of the most progressive forms of the international socialist division of labour.

The components of the international socialist currency system are: a collective socialist currency, the convertible rouble; the system of international accounts; the system of accounts for non-commercial payments; and

the system of short-, medium- and long-term credit. The international system of currency and finance of the CMEA countries is operated by the community's collective institutions - the International Bank for Economic Co-operation (which began operations on 1 January 1964) and the International Investment Bank (which has been in operation since 1 January 1971).

The key element of this system is the convertible rouble, whose gold value is fixed at 0.987412 grams of pure gold. The convertible rouble is used in commercial, non-commercial, credit and other transactions, in setting contractual prices for goods and services in dealings between community countries, in determining the value of industrial and other facilities built jointly by these countries, in paying contributions to the various international organizations of the member countries, and in other areas as well. The convertible rouble has a solid commodity cover in the form of planned deliveries of a variety of goods and services, while the release of these roubles into international circulation is limited to the genuine needs of the countries participating in this international system of settlements for the payment of goods and services.

The convertible rouble is the collective currency of the member countries of the Council for Mutual Economic Assistance and each country involved in the settlement of international accounts is equally entitled to use it. By its nature and areas of application the convertible rouble differs from the national currencies of the member countries, including the Soviet rouble.

As noted in the Agreement<sup>1/</sup> signed by the CMEA member countries, the multilateral convertible-rouble system of settlements is based on the premise that within a calendar year (or some other period agreed by the member countries of the Bank) these countries will see to it that their receipts and payments to and from all the other countries of the community as a whole (and not to and from each individual country) are in balance, with allowance made for the creation and use of financial reserves and also the possibility of credit transactions.

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<sup>1/</sup> Agreement on Multilateral Settlements in Convertible Roubles and the Organization of the International Bank for Economic Co-operation. Multilateral Economic Co-operation among the Socialist States. "Yuridicheskaya Literatura" Publishers, Moscow, 1967; p. 194 (in Russian).

This multilateral balancing of accounts makes it possible to apply the money received by some of the participating countries from the export of goods, the provision of services and other operations to the payment of goods imported, services received and other operations from other participating countries.

As pointed out in the Comprehensive Programme, the collective currency (convertible rouble) will, in the foreseeable future, be usable in settlements with third countries as well, and in this connexion the International Bank for Economic Co-operation (IBEC) has prepared a set of guidelines governing settlements in convertible roubles with countries which are not members of the Bank.

The CMEA countries' co-ordinated system<sup>1/</sup> of non-commercial payments (expenses for the upkeep of diplomatic, commercial, consular and other missions, customers' remittances, etc.) is based on the application of special rates of exchange for the currencies of the CMEA member countries for certain transactions between them and also on the use of a conversion factor for calculating non-commercial payments in convertible roubles. This ensures equivalency in settlements between the CMEA countries despite the presence of differences in internal prices for consumer goods and services in individual countries as well as discrepancies between these domestic prices and the world market prices on which the mutual trading between these countries is based.

The convertible-rouble credit system. The convertible-rouble credit system is closely linked with the multilateral system of settlements. IBEC credits are an important factor in enabling the authorized banks to finance mutual trade requirements through timely and uninterrupted payments and to meet their other needs for funds. There are two kinds of convertible-rouble credits: transfer credits (credits on goods) and term credits.

The Bank extends transfer credit to authorized banks to enable them to cover their liquidity requirements whenever there is a brief period during which payments exceed receipts. The transfer credit limit for each authorized

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<sup>1/</sup> "Agreement on Settlements for Non-Commercial Payments". See Multilateral Economic Co-operation between the Socialist States. "Yuridicheskaya Literatura" Publishers, Moscow 1967; pp. 294-297.

bank is annually set at 2 per cent of the total trade accounts with all the other authorized banks for the preceding year. The authorized banks pay IBEC interest on transfer credit according to the following schedule: for credits not exceeding 50 per cent of the limit - 2 per cent per annum; for credits above this limit - 3 per cent per annum.

IBEC grants authorized banks term credit in convertible roubles to enable them to meet their requirements for funds for periods of up to three years. Credit is granted to cover the costs of production specialization and collaboration, to expand trade, to bring the balance of payments into equilibrium, to meet seasonal requirements, etc. A binding repayment period is set when the credit is extended; if necessary, this period may be extended within the over-all three year period. Twice a year IBEC reviews the applications of the authorized banks of the CMEA member countries for term credit. As in the case of transfer credit, IBEC's interest rates for term credit are fixed: up to six months - 3.25 per cent per annum, up to 12 months - 3.5 per cent per annum, up to two years - 4 per cent per annum, and up to three years - 5 per cent per annum.

The multilateral system of settlements and credit in convertible roubles is an effective ancillary tool in the economic relations of the CMEA member countries, where it ensures that various kinds of currency and financial operations can be conducted on an uninterrupted basis. During the period 1964-1978 the volume of payments between IBEC member countries reached 727 billion convertible roubles. In 1978, 106 billion convertible roubles changed hands in the form of intra-IBEC settlements, which was 4.6 times more than in 1964, when the system began to operate. During this same period (1964-1978) IBEC granted authorized banks credits of more than 46 billion convertible roubles. In 1978 alone credits totalling 5.7 billion convertible roubles, or 3.8 times more than in 1964, were granted.

Multilateral investment credit is the responsibility of the International Investment Bank (IIB). This bank grants medium-term (up to five years) and long-term (up to 15 years) loans for the construction of new enterprises and for the reconstruction and expansion of existing ones. The bank charges the following interest rates for the money it lends: on medium-term loans - 3 per cent per annum; on long-term loans: from 5 to 7 years - 3.25 per cent,

from 7 to 9 years - 3.50 per cent, from 9 to 11 years - 3.75 per cent, from 11 to 12 years - 4.00 per cent, from 12 to 13 years - 4.25 per cent, from 13 to 14 years - 4.50 per cent, and from 14 to 15 years - 5.0 per cent. For credits in convertible roubles to loan recipients in Mongolia the interest rates are set at 1.5 per cent per annum, and to loan recipients in Cuba - at 2 per cent per annum. In individual cases special rates are offered to other countries as well.

During the period from 1971 to 1978 the Bank approved for credit 61 installations and facilities and granted loans totalling more than three billion convertible roubles. Approximately 40 facilities have already become operational.

In 1974 an agreement was signed between IIB and Yugoslavia regarding the basic principles of co-operation, and Yugoslavia received from the Bank a loan for the enlargement and modernization of one of its toolmaking plants. This transaction is seen as having particularly great importance in expanding the area of application of the convertible rouble.

8. Activities of the international economic organizations of the CMEA member countries directed towards mutual co-operation in the area of industry

A number of international economic organizations have been established for the purpose of promoting the development of co-operation between the CMEA member countries in industry and other areas of economic activity. These organizations have permanent bodies which are responsible for carrying out the mission of the organization in a specific field of endeavour connected with production specialization and collaboration.

It is an important characteristic of the international organizations of the CMEA member countries that all the parties participating in them enjoy equal rights regardless of the size of their financial contribution or their economic strength. Within these organizations recommendations and decisions are adopted with the consent of all the governments (or the economic organizations empowered to represent them) whose interests are affected by the matter or matters under consideration. Obligations under international law arise for the parties whenever the participants enter into an agreement or contract on the basis of such recommendations or resolutions. These organizations have no supranational powers.

The organizations, which are independent entities, co-ordinate their activities with the appropriate CMEA bodies. For this purpose the majority of them have concluded co-operation protocols with the Council.

The international economic organizations are established on the basis of contracts (agreements) concluded between the governments or governmental agencies of the interested countries or between their economic organizations. They are, moreover, open-ended organizations, each of whose organizational structure and functions are laid down in the appropriate founding instruments.

The main bodies of these international economic organizations are: the governing body (Council, Governing Council, Directorate, etc.) and the executive body (Board, Bureau, Board of Directors, Secretariat, etc.). The governing body, which includes the authorized representatives of all the organization's participants, is the organ charged with reaching decisions (or formulating recommendations) on the fundamental aspects of the organization's activities, whether on the basis of the principle of unanimity in the case of

certain of these matters, or through a simple or qualified majority of votes in the case of others. There are certain specific matters in the settlement of which only the parties directly concerned are permitted to participate.

The work of the executive body consists in ensuring that the organization's mission as defined by its founders and the decisions of the governing body are carried out through a responsive and effective approach to the tasks of co-operation contained in the long-term and annual work plans.

In addition to these bodies, a number of monitoring, auditing and, occasionally, auxiliary (advisory) organs are also set up. In certain situations, working groups drawn from the representatives of the countries participating in the organization may be established to prepare proposals on specific issues of production and scientific-technical co-operation.

All the members of the international economic organizations contribute to the financing of their activities. The formula commonly in effect at the organizations in operation at this time calls for equally shared contributions for the payment of staff and the formation of the primary capital fund and other funds, but different formulas for the financial participation of the partners are also possible. The charters of a number of these organizations require them to perform economic (i.e. production-related) activities; these organizations must make a gradual transition to profit-and-loss accounting (autonomous financial management) - that is, they will ultimately be required to cover their expenses through their own income, distributing any profit realized according to principles to be established by their governing bodies.

The concept "international economic organization" applies to several varieties of organizations. The specific form of each such organization will depend on the level of representation of the participating countries; the objectives, nature and limitations of their activities as determined by their founders; the tasks and functions entrusted to them by the countries concerned; and also their sources of financing.

At the present time, the principal criteria used in classifying these organizations are the nature (or basic thrust) of their activities and the level of representation of the participating countries (and accordingly their legal status).

In line with these characteristics, the Comprehensive Programme provides for two basic types of these organizations:

(a) Interstate economic organizations (ISEOs), which are concerned with co-ordination in a particular area of production or sphere of co-operation, which are established on the basis of treaties between states and are thus subject to international public law, and in which states may be represented by ministries, state committees, departments, directorates. etc. Organizations of this kind are financed mainly through the contributions of the participating countries, the amount of these contributions being determined by mutual accord;

(b) International economic organizations (IEOs), which are established on the basis of contracts between the state (governmental) organs or economic organizations of the interested countries. Their members, as a rule, are economic organizations (enterprises, trusts, integrated production complexes [combines], industrial associations, and research and development organizations). As a consequence of this kind of membership, organizations of this type fall solely under the jurisdiction of civil law. Their national participants retain full autonomy as to property, organization and legal standing.

International economic organizations of the following varieties may be found:

- International economic associations designed to combine work in the area of co-ordination with joint economic activities on a self-financed basis;
- International economic partnerships engaged mainly in co-ordination activities 1/ (unlike the associations, these partnerships have no rights as a legal entity, their affairs being managed, as a rule, by one of the participants on behalf of the others);
- Joint production or service enterprises, which hold separate property of their own and operate on a profit-and-loss financial basis. (At present only bilateral joint enterprises have been formed.)

The financing mechanism of the international economic organizations is established at the time the contracts setting them up are concluded. The precise time-table for the transition from one financing modality to another

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1/ In the founding instruments of these organizations the possibility is not excluded that they may, under certain circumstances, also undertake joint economic (production-related) activities.



is determined by their governing bodies in the light of the scale and growth expectations of the organization's own economic activities and, accordingly, the generation of organizational income.

Most of the international economic organizations currently operating in the industrial sector of the CMEA member countries are concentrating their attention at this time on the preparation of agreements on production specialization and collaboration and on the standardization and unification of parts for products covered by their manufacturing lists, as well as on efforts to expand deliveries of particular goods among the participants. Work is also in progress in the area of joint planning and plan co-ordination in such fields as production operations, research and development, capital investment opportunities of mutual interest, the joint use of temporarily idle facilities, etc.

At the present time there are more than 30 organizations of various types operating in this sector of the economy, including nine interstate organizations, eight international economic associations (four of them multilateral), five international economic partnerships (three of them multilateral), and five bilateral joint enterprises.

Experience confirms the economic advantages which the participants gain from the work of these organizations. In particular, their activities in the area of co-ordination help to promote a more extensive international division of labour and the more rational use of the resources available to all the partners.

For example, at "Interkhim", which is one of the interstate organizations, as a result of specialization and collaboration in the production of auxiliary substances alone it has been possible to save approximately 100 million roubles in capital investment. By 1980 the volume of mutual deliveries of roller-contact bearings within the framework of OSPP will have increased by a factor of four over the level of 1964, the year it was set up. During the period the "Intermetall" organization has been in operation (1964-1977), there has been a nearly four-fold increase in mutual deliveries of rolled metal products and metal items between the members of this organization.

Individual interstate organizations are successfully performing specific functions. One example might be the unusual work of the Central Supervisory Control Board (CSCB), which manages the parallel operation of the associated power grids, including the on-line co-ordination of the power reserves available from the individual systems of the participating countries and the establishment of power-sharing circuits between the interconnected grids though the tapping of these reserves and other temporarily available generating capacities. CSCB-controlled power-sharing between these grids has increased approximately six-fold during the time this organization has been in existence.

Operational experience with the international economic organizations is more limited. It is only recently that multilateral economic organizations have begun to be established. Nevertheless, their work in the area of co-ordination is gradually beginning to produce results. Thus far, collective economic activity has been developed primarily in the form of joint bilateral enterprises; the organization and implementation of such work through multilateral economic associations or corporations is just starting. At this point, self-financing branches (service bases) are operating only under the "Interatominstrument" organization. Certain jobs in that association are performed on a contractual basis, with payment out of the association's budget.

At the other international associations operating in the industrial sector of the CMEA countries this work is still at the development stage, with analysis in progress to evaluate proposals on the selection of programmes and the building of the facilities to be jointly managed.

The conception and development of the operating machinery for the international economic organizations of the socialist countries entails the solution of a number of economic, organizational and legal problems. These problems arise primarily out of the fact that, as these are international organizations, in their approach to problems in the area of production-related and scientific co-operation they are guided by the need to ensure that the principle of mutual advantage to all concerned parties is strictly observed in the co-operative measures formulated and implemented in the work of the organization. However, since they are not supranational bodies, the international economic organizations must at the same time be capable of being, as

it were, organically "incorporated" into the systems of economic planning and management of the participating countries (especially those countries where the organizations themselves and their branches are located), each of which has its own particular characteristics.

What this means in actual practice is that, in their formulation, for example, of joint plans and forecasts, these organizations must, on the one hand, rely on the reducibility of the data submitted by the partners to a usable form - something that is possible only provided there is a uniform system for determining plan and forecast indicators - and, on the other, they must take into account the need to co-ordinate this same information with the national economic plans of the participating countries on the basis of the methodological techniques in effect in each of them.

In the light of this requirement and the existing differences in economic planning and management in the CMEA member countries, the international economic organizations must find solutions to such economic problems as the following: payment of the specialists and other categories of staff sent by the countries to work at the organizations; the harmonization of prices for products covered under mutual deliveries which are part of the production specialization and collaboration agreements concluded within the organization; co-ordination with the national budgets of the participating countries, including matters of taxation, etc.

In international economic associations whose work is not limited merely to co-ordination functions, the organization of joint economic activity involves the need to solve additional serious economic problems beyond those mentioned above. These include: the preparation of technical and economic feasibility studies justifying, to the satisfaction of all the parties concerned, the building of the association's own production facilities; the question of the sources of financing for establishing these facilities; the special aspects of profit-and-loss financing at the association level, with particular attention to the shared ownership of the means of production; the currency and financial arrangements required for joint production activity and acceptable to all concerned; the organization of material and technical support, joint production activities and the sale of the resultant products or services. The complexity of solving problems of this kind on a multi-lateral basis largely explains the difficulties encountered in setting up joint economic activity in international associations.

By virtue of these special features in the activities of international economic associations the legal approach to their formation and operation is based on a combination of generally accepted principles and the national legislation of the host countries. At the present time there are certain problems connected with the fact that the legislation of not all the CMEA member countries is geared to the specific nature of the international economic organizations operating on their territory.

There are a number of additional legal problems which require further study in the interests of improving the organizational conditions for the more effective work of the international economic organizations. These include, in particular, the further development of their ties with the various CMEA bodies; improvements in the legal machinery through which these organizations take part in CMEA's large-scale programmes in the area of production-related and scientific-technical co-operation, especially in work on the long-term goal-directed programmes of co-operation; the problem of ensuring adequate powers for the representatives of the parties in the governing bodies; and others.

Annex 1

Objectives and operating principles of the Council  
for Mutual Economic Assistance.  
Functions and authority

The objectives and principles of the Council for Mutual Economic Assistance, formulated in the founding documents,<sup>1/</sup> were confirmed in the CMEA Charter, which was adopted at the Council's twelfth session (1959) and entered into force on 13 April 1960. The protocol of 21 June 1974 introduced a number of amendments to this Charter.

Article one of the Charter states that the objective of the Council for Mutual Economic Assistance is, by pooling and co-ordinating the efforts of the Council's member countries, to promote the further deepening and improvement of co-operation and the development of socialist economic integration, the growth of the national economies on a planned basis, the acceleration in these countries of economic and technical progress, the raising of the level of industrialization in those member countries with less developed industries, the uninterrupted increase of labour productivity, the gradual convergence and equalization of the levels of economic development, and the steady elevation of the prosperity of the people of the CMEA member countries.

Simultaneously with the Charter, the Convention on the Legal Capacity, Privileges and Immunities of the Council was also signed and entered into force. Both the Charter and the Convention of the Council have been registered with the United Nations Secretariat in accordance with article 102 of the United Nations Charter.

Formulated on the basis of the fundamental principles of the CMEA Charter and in implementation of the decisions of CMEA's twenty-third (special) session, the Council's objectives and operating principles were developed in the Comprehensive Programme for the Further Deepening and Improvement of Co-operation and the Development of Socialist Integration between the CMEA Member Countries (1971).<sup>1/</sup>

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<sup>1/</sup> All the main normative documents and agreements are included in the publication Basic Documents of the Council for Mutual Economic Assistance, Vols. 1 and 2. Third edition. Moscow, CMEA, 1976.

Mutual economic co-operation and economic integration are developed in accordance with the principles of socialist internationalism and on the basis of respect for state sovereignty, independence and national interests, non-interference in the internal affairs of other countries, full equality, mutual advantage and comradely mutual assistance. In this way, the mutual co-operation of the CMEA countries is pursued on the basis of total voluntarism, is accompanied by the establishment of no supranational organs, does not intrude on the area of the internal planning, financial activity or accountancy of the organizations.

The development of economic, scientific and technical co-operation on the basis of the principles laid down in the CMEA Charter and Comprehensive Programme contributes to the attainment of the goals set forth in the Charter of the United Nations.

The Comprehensive Programme states that the purpose of the Programme is to promote:

- The faster development of the production capacity of all the CMEA member countries, the attainment of the highest possible level of science and technology, the maximum raising of the economic efficiency of socialized production, and also the maximum growth of labour productivity;
- The structural improvement of the production sector and the broadening of its scale by systematically upgrading the equipment in use and by introducing advanced technology to keep pace with the scientific and technical revolution;
- The satisfaction of the growing long-term requirements of the member countries for fuel, energy, raw materials, modern equipment, and agricultural, food and other consumer goods, mainly through the production and rational use of the resources of the CMEA countries;
- The elevation of the material and cultural standard of living of the peoples of the CMEA countries;
- The gradual convergence and equalization of the levels of economic development of the member countries;
- The increasing of the absorptive capacity and stability of the world socialist market.

Functions, powers, structure. All CMEA member countries enjoy the same level of representation in the bodies of the Council<sup>1/</sup> regardless of the size

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<sup>1/</sup> A diagram illustrating the structure of the Council is attached.

of their populations, their economic potential and the size of their contributions to the budget of the Council. Within the Council's bodies each country is free to determine the limits and degree of its involvement in the work of these organs.

In accordance with its Charter, CMEA organizes comprehensive economic, scientific and technical co-operation among the member countries to promote the most rational utilization of their natural resources and the accelerated expansion of their production capacity, and contributes to the development of socialist economic integration and the greater efficiency of the international socialist division of labour through the co-ordination of national economic development planning and through arrangements for production specialization and collaboration between the member countries.

The Council undertakes studies of economic, scientific and technical problems of interest to the member countries; assists them in the formulation and implementation of joint programmes of co-operation to develop industry, agriculture and transport and to make the most effective possible use of capital invested in the joint construction of large-scale installations; promotes the growth of trade and the exchange of services both among the CMEA member countries and between the latter and third countries; and encourages the exchange of information on scientific and technological accomplishments and advanced production experience.

The Council and its various organs are invested with powers which do not conflict with the sovereign rights of the participating countries. The Council is entitled to adopt recommendations to the member countries and to pass decisions which are binding on its own bodies. Recommendations do not apply to a country or to a national delegation in the Council which has announced its lack of interest in a particular matter under discussion. On the other hand, such a country may at any time associate itself with recommendations adopted by a CMEA body without its participation. Recommendations of the Council's bodies adopted by the member countries are implemented in the individual countries under the authority of their governments or competent departments and in accordance with the legislation in force in those countries. The principle of interestedness is one expression of the genuinely voluntary nature and equality of the interstate relations of the CMEA countries within the Council.

The Council has the right to conclude agreements under public and private law both with the CMEA member countries and with other countries and international organizations. In addition, the Council may act as an independent legal entity with rights and responsibilities under international and civil law.

In order to enable it to discharge its tasks and functions and exercise its powers, CMEA has a system of various organs. The Council's highest-ranking body is the Council Session, which consists of the delegations of all the member countries, normally led by their heads of government. The CMEA Session holds scheduled meetings not less frequently than once a year under the chairmanship of the head of delegation of the country in which the Session is meeting. The venue of the Session alternates between the capitals of the member countries. When major problems of co-operation are to be settled, the Session is convened at the level of the heads of the Communist and Workers' Parties and the heads of government of the member countries.

The CMEA Session is empowered to discuss all matters falling within the competence of the Council. It reviews the basic issues of economic, scientific and technical co-operation and sets the course for the work of the Organization; it discusses the report of the Executive Committee on the Council's activities; it determines the size of the individual countries' contributions to the budget of the organization; it accepts new members; it appoints the CMEA Secretary, the Council's most senior official; it establishes the working bodies required to carry out the tasks which it assigns; and it approves amendments to the CMEA Charter.

The Council's principal executive body is the Executive Committee, consisting of representatives of the CMEA member countries at the level of deputy heads of government. The national representatives in the Executive Committee are at the same time their countries' permanent representatives to the Council. The Executive Committee is responsible for supervising all the work connected with the implementation of the tasks set by the CMEA Session, including the systematic monitoring of compliance by the member countries with their commitments under those recommendations of the CMEA bodies with which they have associated themselves.

The Executive Committee directs the work involved in co-ordinating the national economic development plans and the production specialization and collaboration agreements of the member countries; it organizes the effort to



formulate the key guidelines to the rational division of labour in the critical areas of production in these countries; it studies the proposals submitted by the member countries and the various bodies of the Council on matters of economic, scientific and technical co-operation; and it analyses the status of this co-operation and develops measures to ensure its continued expansion.

The Executive Committee supervises the work of the Council's specialized bodies - the committees, permanent commissions, conferences of departmental heads, and the CMEA Secretariat - and determines, in a general sense, their work programmes. In addition, it approves the organization's budget, the manning table of the Secretariat and the statutes for the other of the Council's bodies. Like the Session, the Executive Committee adopts recommendations and decisions within the area of its competence.

The office of Chairman of the Executive Committee is rotated among the representatives of the member countries, with each chairman serving a one-year term.

At the present time, there are three CMEA Committees in operation: the Committee on Co-operation in Planning, the Committee on Scientific and Technical Co-operation, and the Committee on Co-operation in the Area of Material and Technical Supply.

The committees consist of the heads (ministers or deputy ministers) of the corresponding departments in the member countries, there being one representative from each country. Their basic task is to ensure that the co-operation problems of greatest importance to the CMEA countries in the area of economics, science and technology are thoroughly examined and resolved on a multilateral basis. Within the limits of their competence the committees are authorized to accept recommendations, pass decisions, submit proposals for the consideration of the Session and the Executive Committee, establish working groups to deal with special issues, and to request materials, opinions and proposals from the permanent commissions and other CMEA bodies on matters for which they are responsible.

CMEA's permanent commissions are established by the Session for the purpose of contributing to the further development of economic ties between the CMEA member countries and organizing their multilateral co-operation in specific economic areas.

The commissions consist of delegations appointed by each country and led, as a rule, by the heads (at the ministerial level) of the corresponding ministries and departments. The delegations of all the countries have equal rights and responsibilities regardless of their composition and hierarchical standing in their own country. The area of competence of the permanent commissions is limited to the range of co-operation issues connected with a specific economic branch or area of activity.

The permanent commissions formulate measures and prepare proposals on mutual co-operation, including the preparation of multilateral agreements, and also perform other functions flowing from the Charter, the recommendations and decisions of the Session, the Executive Committee and the committees of the Council.

Also in operation within the Council at the present time are conferences of the heads of the water conservancy departments, ministries of internal trade, departments for patents and inventions, price control boards and government labour offices of the member countries, as well as legal affairs representatives from these countries. There is also a conference made up of representatives of the member countries' freight and shipowning organizations.

The Secretariat of the Council consists of the CMEA Secretary, his or her deputy and the staff required to perform the work of the Secretariat. Chief among the Secretariat's functions is the preparation of documents and proposals for the meetings of the Council's bodies in accordance with the work plans of these bodies and the work they may assign. The Secretariat is also responsible for assisting the Council's representative bodies in preparing the drafts of multilateral economic and scientific co-operation agreements, surveys and studies, and in preparing and publishing information bulletins and other documents.

The Council for Mutual Economic Assistance may invite non-member countries to take part in the work of its bodies or to collaborate with them in other ways. The conditions for the work of non-member countries in the work of the Council's bodies or for their collaboration with the Council in other ways are determined by the Council in agreement with these countries, as a rule through the conclusion of formal agreements.

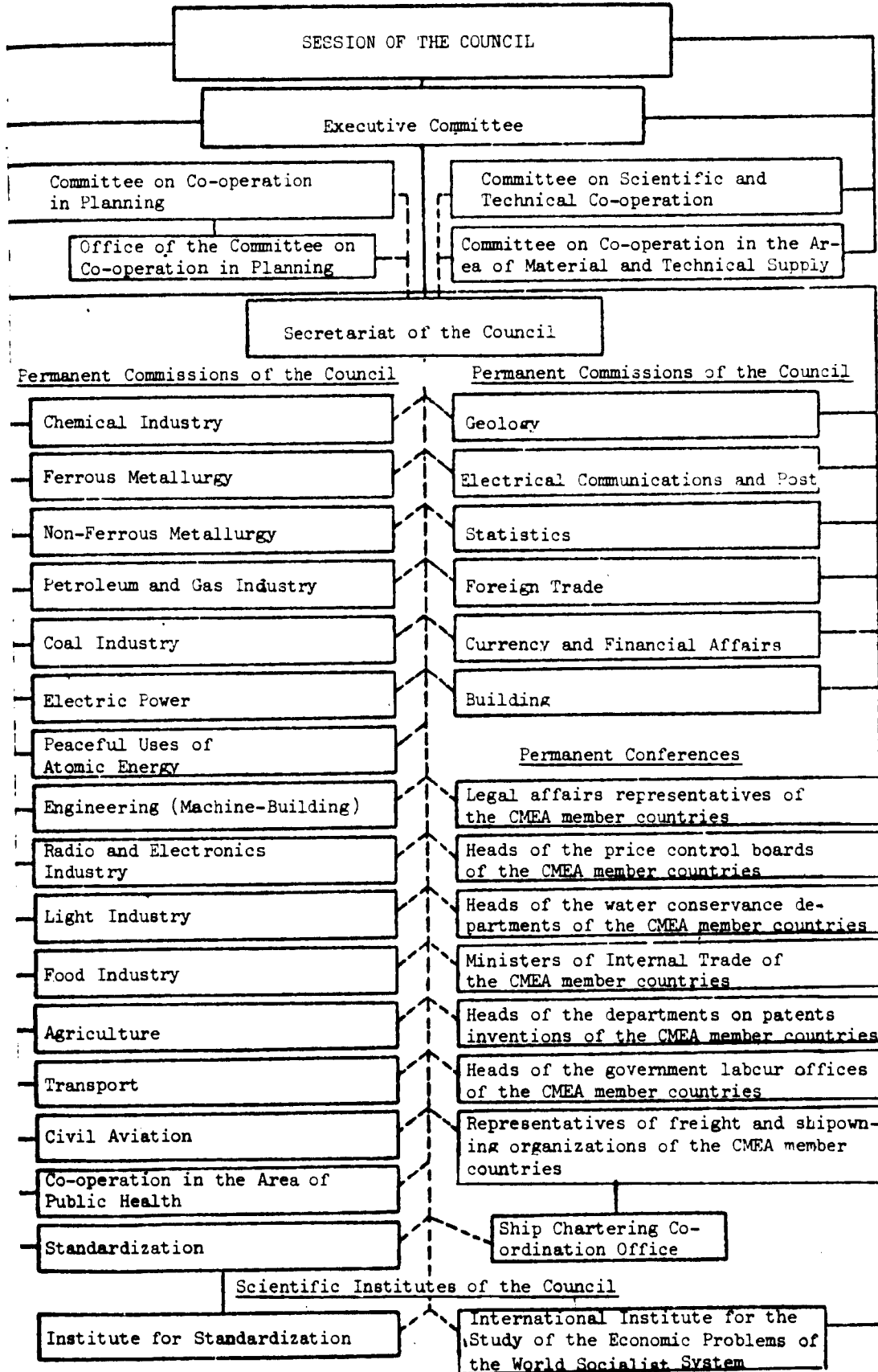
Since September 1964, on the basis of an agreement between the Council for Mutual Economic Assistance and the Government of the Socialist Federal Republic of Yugoslavia on the participation of that country in the work of the Council's bodies, Yugoslavia has been actively co-operating with the Council in a wide range of matters.

In 1973 an agreement on co-operation was signed between the Council and Finland, and in 1975 between the Council and Iraq and Mexico.

Participating as observers in the work of specific CMEA bodies are representatives of Laos, Angola, the Democratic People's Republic of Korea and Ethiopia.

Annex 2

Structure of the Council for Mutual Economic Assistance



Annex 3

Survey of the growth of the national economies and industries  
of the CMEA member countries over the last 30 years

The three decades of co-operation between the socialist countries within the Council for Mutual Economic Assistance have been years marked by the rapid growth of their production capacity, the extension of the process of intensification in socialized production, qualitatively important and forward-looking shifts in the structure of their national economies, the securing of full employment for their entire able-bodied populations, and the steady elevation of the material and cultural standards of living of the workers of these countries.

One of the most characteristic features in the development of the CMEA member countries, both individually and as a whole, has been their high growth rates. The sustained, dynamic development of these countries is without parallel in virtually any other group of nations in the world. By 1978 the national income of the countries of the Council had increased by a factor of 10 over the 1948 level, and industrial production by a factor of 17.

Some idea of the growth of the economic potential of the CMEA member countries can be seen in the percentage increase in these countries' share of world-wide production in certain of the most important areas (over the period from 1950 to 1977): electric power - from 13.7 to 21.6 per cent; coal - from 22.9 to 30.9 per cent; steel - from 18.7 to 29.0 per cent; cement - from 13.8 to 27.0 per cent.

At the present time the CMEA countries are producing 2.1 times more industrial goods than the countries of the European Economic Community and 1.5 times more than the United States.

The successes of the CMEA countries in the building of socialism and their advance to the upper ranks of the world's largest industrial powers is all the more striking when one considers that, prior to the triumph of their socialist revolutions, a number of these countries were industrially backward, agrarian states suffering from the effects of chronic unemployment. Within what in historical terms has been a brief period, the socialist countries have put an end to the exploitation of man by man and have done away with national

inequality, creating in their stead the conditions for the rapid growth and intensification of production. Major qualitative shifts have taken place in the technical level, composition and organization of the economies of these countries so that at this time a characteristic of the countries of the socialist community is the leading role of industry in their economic structure.

The key economic growth indicators shown below (see table 1) attest to the steady increase in the economic power of the CMEA countries over the elapsed period.

The successes of the countries of the Council in the development of their economies are primarily the result of the self-sacrificing work of the people of each of these countries and also the mobilization of available internal resources.

The major factor that has led to the increase in national income has been the surge in labour productivity. For the CMEA member countries as a whole labour productivity increased by a factor of 2.5 over the period 1961-1977. At this time, rising labour productivity has become the principal driving force behind the economic growth of all the CMEA countries, a factor which attests to the intensive nature of the development process in these countries.

As the CMEA countries have industrialized their economies, there have been significant changes in the branch structure of their national income: the relative share of industry and construction has increased, while the role of agriculture and forestry has decreased. This may be seen from the data in table 2, which refer to percentages of the entire national income in the prices of the years in question.

Another characteristic of the countries of the Council for Mutual Economic Assistance is the high rate of growth in capital investment in the national economy. On the whole, the volume of investment has increased by a factor of 10 over the elapsed period. The evolution of this process is indicated on a country-by-country basis in table 1. The highest investment growth rates occurred in the relatively less industrially developed countries: in Mongolia investment increased by a factor of 73, in Romania 26 and in Bulgaria 18.

Table 1

Basic indicators of the economic development of the CMEA member countries during the period 1951-1977

(in percentages, 1950 = 100)

	National income produced	Gross industrial production	Gross agricultural production	Capital investment in the economy	Basic capital assets of the economy <sup>2/</sup>	Labour productivity of the economy	Mean-annual number of manual and office workers in the state and cooperative sectors of the economy
CMEA member countries <sup>1/</sup>	above 700	Factor 11.1	240	Factor 10	-	-	262
<u>Including:</u>							
Bulgaria	978	Factor 20	282	Factor 18	581 <sup>3/</sup>	Factor 11	480
Czechoslovakia	452	752	170	710	302	371	205
German Dem. Rep.	569	799	221	Factor 13	235	538	227
Hungary	456	787	198	708	324	372	258
Mongolia	531	Factor 12	139	Factor 73	868	375	435
Poland	669	Factor 14	190	Factor 13	292	425	251
Romania	Factor 12	Factor 26	335	Factor 26	648	Factor 10	317
USSR	770	Factor 11	252	972	885	579	263

<sup>1/</sup> Without Cuba and Viet Nam.

<sup>2/</sup> 1975 = 100.

<sup>3/</sup> 1952 = 100.

Table 2

	Year	PRB	HPR	GDR	MPR	PPR	SRR	USSR	CSSR
Industry and construction	1950	43.4	35.1	53.1	11.1	40.9	49.6	63.6	71.2
	1977	60.4	58.5	68.2	33.0	64.0	73.1	63.4	73.2
Agriculture and forestry	1950	42.5	47.7 <sup>1/</sup>	28.4	59.4	47.9	27.6	22.2	16.2 <sup>1/</sup>
	1977	18.3	16.0	10.1	17.1	15.8	16.9	17.1	9.1 <sup>1/</sup>

<sup>1/</sup> Without forestry.

Key: PRB = People's Republic of Bulgaria; HPR = Hungarian People's Republic; GDR = German Democratic Republic; MPR = Mongolian People's Republic; PPR = Polish People's Republic; SRR = Socialist Republic of Romania; USSR = USSR; CSSR = Czechoslovak Socialist Republic.

The lion's share of investment funding has been channelled to industry, as a result of which large industrial installations have been built. For example, during the period 1951-1977 facilities and installations were created to permit (on an annual basis) the production of some 110 million tonnes of steel, the generation of more than 300 million kilowatts of electric power, the production of more than 160 million tonnes of cement, more than 1.7 million tonnes of chemical fibres and more than 4 million tonnes of plastics and synthetic resins.

The principal instrument for increasing the production potential of the CMEA countries has been the growth of investment in basic capital assets - an essential condition for the extended reproduction of capital and the improvement of labour productivity.

The economies of the CMEA countries are characterized by the stable growth rates of their fixed productive assets. During the three decades the Council has been in existence, in the majority of the member countries basic capital assets have consistently grown at a faster rate in the industrial and construction sectors, which is a reflection of the high industrial level of these economies.

In large measure the success of the socialist countries in economic development is attributable to the high rate of growth in the index of fixed productive capital available per worker. During the period 1951-1976 for the national economy as a whole this index rose in the member countries as follows: in Bulgaria by a factor of 8.1 (1953-1976), in Czechoslovakia by a factor of



2.7, in the German Democratic Republic by a factor of 3.1, in Hungary by a factor of 3.3, in Poland by a factor of 2.5, in Romania by a factor of 7.1, and in the USSR by a factor of 6.6. This growth in the index of fixed productive capital per worker has been accompanied by a steady improvement in the qualitative composition and the technical and economic characteristics of the fixed assets themselves.

A decisive factor influencing the rate of economic development in each CMEA member country and in all the countries of the Council as a whole has been the rapid growth of industrial production. During the period 1951-1977 the mean-annual rate of increase in industrial output in these countries was 9.3 per cent, in comparison with 6.3 per cent for all the world's countries as a whole. The highest growth rates in industrial production occurred in those countries where this branch had formerly been less well developed: Romania - 12.9 per cent, Bulgaria - 11.8 per cent, Poland - 10.2 per cent and Mongolia - 9.7 per cent. In recent years there has been a noticeable increase in industrial production in Cuba, Mongolia and Viet Nam.

In 1978 the growth rate of industrial production in Viet Nam was nearly 12 per cent. However, the military actions unleashed by the Beijing (Peking) aggressors have complicated the development of industrial production.

For the majority of the CMEA countries a distinguishing feature of their industrial development has been the relatively faster production growth rate in those branches which are of critical importance to the acceleration of technological progress, notably engineering, power and chemistry.

Engineering (machine-building) is one of the most dynamic industrial branches in the CMEA member countries. During the period 1951-1977 engineering production in these countries as a whole increased by a factor of 27, which is nearly 2.4 times higher than the growth rate for all of industry. By individual countries this growth showed the following figures: Bulgaria - by a factor of 91, Czechoslovakia 17, the German Democratic Republic 15, Hungary 13, Mongolia 39, Poland 63, Romania 89 and the USSR 27.

The total share of engineering, the chemical industry and the generation of electric power in the over-all volume of industrial production during the years 1950-1977 increased in individual countries from 14-32 per cent to 35-48 per cent.

Through a concentration of effort on increasing production efficiency, improving quality and extensively applying the achievements of science and technology to production, it has been possible to increase industrial labour productivity to a substantial degree. For the CMEA countries on the whole over the period 1951-1977 labour productivity in the industrial sector increased by a factor of 5, with the increase in the individual countries being as follows: Bulgaria 5.8, Czechoslovakia 4.6, the German Democratic Republic 5.5, Hungary 3.4, Mongolia 3.1, Poland 6.1, Romania 7.9 and the USSR 4.9. Whereas in the beginning of the 1950s the increment in industrial production due to the increase in labour productivity amounted to about 55 per cent, the current figure is approximately 80 per cent.

Labour productivity in the industrial sector of the CMEA countries has increased more rapidly than in the capitalist countries. During the period 1951-1977 the CMEA countries as a whole led the countries of the "Common Market" by a factor of 1.6 in terms of the rate of growth of this important economic indicator, and the United States by a factor of 2.

Essential factors in ensuring the growth of labour productivity and the improvement of production efficiency have been specialization, concentration and also the rise in the index of electric power available per worker. For example, in 1977 in many of the CMEA countries 66 to 90 per cent of all industrial workers were employed at enterprises employing over a thousand workers, whereas in 1960 the relevant figure was 53 to 80 per cent. The indices of electric power and fixed productive capital available per industrial worker have been increasing at an accelerating rate. In many countries the increase in the first of these indices in 1977 as opposed to 1960 amounted to 32 to 64 per cent, and in the second to 40 to 70 per cent.

The accelerated growth of industry in the CMEA countries has made it possible to establish, and subsequently to consolidate steadily, the material and technical basis for large-scale agricultural production. The growth of the agricultural sector has been due, mainly, to intensive factors, above all an increase in labour productivity accompanied by a substantial reduction in the number of agricultural workers and the application of modern production techniques. Policies of concentration and specialization have been pursued, advanced technology has been introduced on an expanded scale in crop growing

and animal husbandry, modern industrial production methods for individual products have been applied, the techniques and forms of management have been improved. There has been a substantial increase in the use of mineral fertilizers. In 1977, in all the CMEA countries as a whole some 28 million tonnes of mineral fertilizer were used, this figure being 11 times larger than the corresponding figure for 1950.

All these measures have contributed to a 2.4-fold increase in gross agricultural production during the period 1951-1977 (see table 1 for the data for individual countries).

The number of workers employed in the economies of the CMEA countries rose by 50.4 per cent from 1950 to 1977 and stood during that last year at over 180 million persons. This was the fastest growth rate in the world. The CMEA countries are noteworthy for their increasingly more effective use of the production workforce. As one of the key indicators of this trend it is possible to cite the favourable changes that have occurred in the distribution of the workforce among the three major sectors of the economy: (1) industry, construction, transport and communications; (2) agriculture and forestry; (3) trade and non-production-related (service) activities. Whereas in 1950 for all the CMEA countries as a whole the first of these sectors accounted for 34.0 per cent of all persons employed, the second for 49.4 per cent, and the third for 16.6 per cent, in 1977 the ratio was as follows: 48.9, 22.8 and 28.3 per cent. Consequently, there has been an increase in the share of workers employed in industry, construction, transport and communications, and a drop in the number of those employed in agricultural production. In the majority of CMEA countries an increase in the percentage of persons employed in the non-productive (service) sphere has been observed. This development is related, in particular, to the number of workers employed in education, public health, culture, the arts, science and various areas of the service sector - that is, in occupations concerned with satisfying the growing material, cultural and social needs of the public.

The CMEA countries are experiencing a rapid upgrading of the educational and skill levels of the workers employed in the national economy. During the period 1961-1977 the number of specialists with higher and intermediate education increased by a factor of approximately 2.8 and their number among

the total workforce rose accordingly (from 1960 to 1977 from 6.5 to 17.9 per cent in Bulgaria, from 13.3 to 21.2 per cent in Czechoslovakia, from 3.7 to 15 per cent in the German Democratic Republic, from 5 per cent (1958) to 16.4 per cent in Poland, and from 9.3 to 20.3 per cent in the USSR).

In 1977 more than 119 million persons - that is, one out of every three citizens (excluding children of pre-school age) - were studying under one or another form of educational programme.

The thirty years' experience of economic development in the CMEA countries demonstrates that the cardinal objective of socialist production remains the fullest possible satisfaction of the rising material and spiritual requirements of working men and women. The primary source for the attainment of a higher level of prosperity for the entire public in these countries is the steady growth of national income, approximately three-quarters of which is expended on consumption.

The fact that the growth rate for national income considerably exceeds the growth rate of the population not only ensures that the material requirements posed by natural growth of the population can be satisfied, but also creates all the necessary conditions for the sustained improvement of the people's material welfare in the future as well.

One of the characteristics of the development of the CMEA countries which is instrumental in explaining the growth in the material prosperity of the population has to do with the increasing rate of pay for manual and office workers and the improved incomes of co-operative farm employees, as well as the constant increase in social consumption funds. These funds are used to ensure free education, medical treatment, pensions, workers' holidays and many other social services.

In all the CMEA countries social consumption funds are increasing at a faster rate than general consumption funds. During the interval from 1960 to 1977 this increase was as follows: in Bulgaria and Hungary by a factor of nearly 5, in Czechoslovakia by a factor of 3.1, in the German Democratic Republic by a factor of 2.9 and in the USSR by a factor of 3.7.

A very important element in raising living standards in the CMEA countries has been the broad-based attack on the housing problem. More than 63 million apartments were handed over to their occupants during the period

1956-1977. This means that during this period approximately two-thirds of the population of the countries of the socialist community took occupancy in new apartments or improved their housing conditions. A sizable portion of housing construction costs in the CMEA countries is borne by the state. Rent subsidies are paid out of public funds. In the USSR, for example, rent accounts for less than 3 per cent of the budget of the family of an industrial worker.

In all the CMEA countries a far-flung network of sanatoria, rest homes, tourist centres, etc. has been established, where workers can spend their leave free of charge or through the use of travel and medical authorizations ensuring very favourable terms.

The rapid socio-economic development of the CMEA countries during the last thirty years is a testimony to the excellent results the peoples of these countries have achieved through their tireless efforts and to the successful organization of their mutual co-operation.



