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INTERNATIONAL COORDINATION OF
PLANS OF INDUSTRY

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INTERREGIONAL TRAINING COURSE
ON INDUSTRIAL PLANNING

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INTERNATIONAL COORDINATION OF PLANS OF INDUSTRY
General aspects of international plan co-ordination
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A General aspects of international plan co-ordination

1. Modern industrial development and international co-ordination of plans

There is a remarkable trend of internationalisation of economic activities in various fields of the national economy. This is true, in particular, with respect to medium-sized or small-sized economies and selected branches (sectors) of the economy. If any further increase in efficiency of the national economy and/or its various sectors proves unfeasible within the range of the economy or sector itself, we have to resort to an international solution of the efficiency problem. We find, at least, two main reasons for this phenomenon. First, if resources needed to run the whole economy on a modern technological basis (which calls for immense investment) will surmount national potentialities and secondly, if the national market is no longer able to absorb fully or to a large extent the output of optimum-sized production, planners will run into troubles unless they look for an international solution of their development problems.

If one of these two cases or even both occur, international division of labour both in the field of investment and production becomes a compulsion. It should be stressed, however, that this well-known fact is of outstanding importance for all socialist countries which have embarked upon a policy of full-scale industrialisation. Consequently, they have to aim at an equilibrium of national funds (investment), local market and large-scale production in a wide variety of production sectors. This has to be reached in order to avoid any dependence of the national economy upon only one or some production branches even if such should be efficiently run on modern technological lines. In other words, we are discussing the case of a well-balanced, technologically modern multi-branch industry and the impact of internationalisation on it.

Such is the real problem in the GDR. The GDR's industry is producing a large variety of commodities (about 80 per cent of

total commodity assortment in manufacturing). International specialisation of production, therefore, must be intensively developed. But also other socialist countries with a lower degree of diversification of industrial production do face the problem of intensification of international specialisation in order to benefit from modern trends in industrial development.

Planning of industrial development (and of the entire national economy as well) is primarily a national activity. But due to the increasing mutual dependence of the national economies concerned the international aspect of national planning is gaining weight. All socialist countries are subject to this trend. Hence they have to take into account their partners' needs when setting up their national plans of industrial development. This being so, international co-ordination of plans has become the appropriate tool to make both ends meet: large-scale industrial development on the one hand and limited national resources and local markets on the other. International co-ordination of plan, naturally, should be understood as the specific way in which planned economies co-operate with each other. Actually, plan co-ordination within the system of co-operation between the member countries of the Council of Mutual Economic Aid (CMEA) is defined as the basic method for organising international economic co-operation and international division of labour. The member countries of the CMEA started such activities in the early fifties when the five-year plans for 1956 - 1960 had been co-ordinated for the first time. Up till now five five-year plans have been coordinated. Therefore, any problem of industrial planning cannot be fully understood without paying due attention to its international aspects and, in particular, to the principles and methods of plan co-ordination. Since 1955/56 international co-ordination of plans amongst the CMEA-countries is no longer a matter of mere theoretical discussion but of utmost practical relevance.

2. Principles of plan co-ordination in the CMEA-area

As a matter of fact, plan co-ordination between the member countries of the CMEA can be studied from two points of view. First, it is a method of co-operation between independent states in the field of planning irrespective of the specific form of this co-operation. It reflects the general conditions under which the countries mentioned settle their economic problems. This makes it clear that international co-ordination of plans presupposes the existence of independent national economies, the development of which is directed by national plans. Plan co-ordination, in a sense, represents the general idea and the general way in which the national planning process is completed by joint international activities in the planning field.

Secondly, plan co-ordination can be regarded as the concrete methods of co-ordinating the five year plans of the CMEA-countries. In other words, it is the specific way to fit the national medium-term plans together (as the main kind of national plans) and to make them internationally balanced.

Before discussing how the national plan for industrial development is co-ordinated and how the mechanism of plan co-ordination is really functioning in the CMEA-area, we have to say a couple of words about the principles of co-ordination.

(a) The basic characteristic of co-ordination is the principle of voluntary co-operation between member countries of the CMEA in the planning field in order to solve jointly development problems of common interest. During co-ordination of plans fundamental problems of economic and technological co-operation are studied, adequate joint measures are prepared and the impact of these problems upon the preliminary plan targets of the countries involved is calculated. Finally, this leads to agreements between the countries concerned and it results in a set of mutual obligations mainly in the field of exports and imports.

(b) Plan co-ordination aims at increasing efficiency of the national economic development in general. Accordingly, the princ-

iple of mutual benefit for each partner is underlying any measure to be taken in the process of plan co-ordination.

(c) In particular, plan co-ordination is the basic method of balancing sources and uses of selected kinds of production on the international scale. It helps to reach equilibrium between national production and local demand by including data on foreign demand and/or foreign sources of production. Thus the various national industrial structures are linked together and the international aspect appears as an endogeneous factor of national economic development both in industry and in other sectors.

(d) Plan co-ordination is mainly used with respect to selected problems and kinds of production. It does not cover the whole national economy but only such fields, which apparently are subject to internationalisation and which, therefore, cannot be further developed efficiently unless they are fitted in a system of internationally co-ordinated measures. Plan co-ordination, however, exerts great influence on all other sectors of the economy.

(e) Plan co-ordination is executed, or, at least, directed by the central planning authorities (State Planning Commissions) of the member-countries of the CMEA. Consequently, national criteria are essential in this field. Plan co-ordination is not a matter of co-ordination of sectoral development as such but rather a problem of co-ordination of industrial development as an integrated part of the entire national economy.

(f) The time horizon of international co-ordination of plans may be different according to the problem subject to co-ordination and the time needed for its solution. But co-ordination of five-year plans is predominant at present.

(g) Plan co-ordination is executed in two forms. The dominating one is bilateral co-ordination. Any member-country of the CMEA co-ordinates its provisional plans (plan targets) simultaneously with all other countries belonging to this organisa-

tion. This form is the typical one for the five-year planning period. The second form, multilateral co-ordination, is mainly adopted for solving selected problems of common interest in the field of research, investment and production which are of outstanding importance and which affect basically one or even two five-year plans of the member-countries of the CMEA.

In practice either form may be used in solving jointly a certain problem of economic and technological co-operation. Moreover, the bilateral and multilateral approach often occur merely as different, subsequent stages in the co-ordination process of national plans.

As a matter of fact, plan co-ordination so far has proved an effective method of supplementing industrial planning on the national scale by adequate international activities. Decisions are taken only with the consensus of all interested states and not by majority. This concept of co-operation in the planning field is widely different from what is usually called international planning executed by an independent international planning authority. One of the most advantages of the CMEA-approach is that once an agreement is reached and an adequate decision taken, even this decision is virtually backed by all countries concerned. This fact should be pointed out because within the CMEA-area it is the socialist state which disposes of all factors of production and of all national resources. It is its decision how and to what extent national resources should be co-ordinated or partly pooled with such of other countries within the CMEA-system.

B The process of plan co-ordination

The following is the case of co-ordination of the five-year plan with special reference to the actual co-ordination for the 1976-1980 planning period. Attention will be paid, preferably, to the procedure of co-ordination activities. After this some special problems of co-ordination which are more or

less related to all stages of the co-ordination process will be outlined.

1. Elaboration of provisional plan figures

As a rule, planning in general and industrial planning in particular start with the elaboration of a general outline of the five-year plan and of preliminary targets for the basic problems of industrial development. As regards the general outline calculations are made in terms of, e.g. annual rate of growth, national income and productivity, tentative volume of investment, tentative rate of accumulation, provisional volume of exports and imports etc. Simultaneously, calculations are made concerning the basic problems of industry. They imply selected branches and kinds of production in terms of output (both in value and physical terms), investment, export and import figures and other indicators. First feasibility studies for selected investment projects are also made.

All these activities result in a set of provisional plan figures which give an idea about the main trends of economic development of the entire national economy and about the most important trends and projects in industry for the next planning period. These planning activities in the first stage under discussion are not confined to autonomous national studies and calculations. They are, from the very outset, based on a number of international agreements which have been reached earlier between the member countries of the CMEA. First of all, the "Comprehensive Programme for Extension and Improvement of Co-operation and Development of Socialist Economic Integration"¹ has to be mentioned. The relevant tasks of co-operation stipulated by this document are directly used for setting up

¹ The "Comprehensive Programme" was unanimously adopted by all member-countries of the CMEA in 1971 at the XXIV Session of the Council. It represents a general strategy for co-operation in any field of economy, science and technology in the long run. Moreover, it comprises a large number of concrete tasks for developing co-operation preferably in industry. The Programme was elaborated for a period of 10 to 15 years.

the first outline of the national plan. Since they have been agreed upon earlier, they form a solid foundation for planning all sectors of industry which are subject to international co-operation.

Apart from this "Comprehensive Programme" there is a number of international agreements (mainly bilateral) on specialisation and co-operation of production which, too, has been signed before work on the following five-year plan virtually started. As regards the GDR industry such agreements exist in the ship-building industry, in railway waggon production, in ball bearing industries and in many others. They form the nucleus of a long-term scheme for international division of labour in industry. These agreements provide for developing certain kinds of industrial production in one country in such a way that the import needs of the other partner(s) could be satisfied. Hence, the other partner(s) is bound to buy these products from the specialised partner. Naturally, either partner (but the specialised partner in particular) has to stick strictly to all technological and commercial conditions which have been fixed in the mentioned agreements. The main point, however, is that all these agreements on international specialisation and co-operation in production predetermine a certain number of plan targets both in the exporting and importing country.

Thus industrial planning on the national scale is done taking into consideration from the very beginning what is called the foreign economic factor. When framing the first draft of the plan at the initial stage a certain element of (indirect) international co-ordination is already implied just before direct co-ordination of plans actually start.

2. Consultations on main trends in economic development

What followed was a series of direct contacts (consultations) between the member countries of the CMEA in order to discuss two main groups of problems. First, the responsible national planning authorities informed each other about the general trends in the socio-economic and technological field of each

country during the period of the following five-year plan. Secondly, information was also given about the draft of the industrial plan, its main figures on production and investment projects. During the consultations, problems of mutual interest were singled out, possible projects for future co-operation were earmarked and such problems were defined which call for joint efforts and which should be included in the framework for further co-ordination.

At this first stage a small number of top-priority problems and problems were provisionally discussed as possible topics for detailed multilateral co-ordination in the long run. In general, consultations resulted in:

- profound mutual information about the preliminary plan targets of all CMEA-countries,
- a list of problems (projects) earmarked for further cooperation either on a multilateral or bilateral basis during the following five-year plan,
- a list of long-term problems (projects) on which further detailed studies (e.g. prognostic projections) should be launched in order to start co-ordination work later on.

At this stage all partners made sure whether the provisional targets of their national plans did meet the requirements of the other economies and which main problems in the technological and economic field could be solved jointly within the CMEA-system by pooling efforts and resources of several countries. Also the planning authorities learned about the possible partners for further concrete negotiations on the respective problems. As a matter of fact, at this stage no final decisions were taken nor were agreements signed. What was made clear were the topics for further bilateral and multilateral co-ordination in detail.

For the 1976 - 1980 planning period the member-countries of the CMEA had agreed on a set of 37 problems of co-ordination with ten of them as long-term problems. Amongst these topics of plan co-ordination one could find general problems concerning the development of mining industries and the semi-fabricated

goods sector but also very specific problems of development of selected final goods, machines and equipment or consumer goods. Selected investment projects and a great number of co-ordination problems in science and technology had been included, too. As for the GDR it was essential at this stage of plan co-ordination to solve, though tentatively, two big problems: First, to estimate the total volume of raw material supplies which could be expected from her main partner in foreign trade, the USSR, for the planning period under discussion (oil, gas, iron etc.). This was and is extremely important for the GDR-industry due to the very poor or even lack of mineral resources of the country. Second, the high level of industrialisation and the intensive international specialisation of several industrial branches (shipbuilding, heavy equipment production, machine tool production etc.) made the elaboration of the first draft of the plan dependent upon information about the partners' investments requirements. So, detailed information about these projects was essential for planning output figures in the GDR export-oriented industry.

3. Bilateral co-ordination of the five-year plans

After this first step of international co-ordination started detailed work on the national plan. The provisional plan targets had now to be transformed into a full-scale draft of the plan including, naturally, the results of the international consultations. When drafting their industrial plans for 1976 - 1980 the member-countries of the CMEA succeeded in detailing their provisional plan targets at home and simultaneously, co-ordinating almost all intermediate results with their foreign partners in the CMEA. So, any detailed calculation on a certain problem of industrial development was not finished unless it had been discussed and co-ordinated with the planning authorities of the other countries which were, of course, interested in this problem. In a sense industrial planning and international co-ordination of industrial plans were combined into a system of interdependent planning activities. They resulted in an internationally consistent national plan of industrial development.

At this second stage of plan co-ordination bilateral consultations of the planning authorities were conducted. What had been discussed were the main fields of direct economic and technological co-operation between the respective partners and also the concrete steps that should be taken for its implementation. The planning authority of the GDR, e.g., discussed with its partners problems like:

- (i) Supplies of fuel and other raw materials including possible purchases by the GDR of selected products of basic industries.
- (ii) International specialisation of production in manufacturing with a view to increase output of selected kinds of machines and equipment to meet the requirements of either partner. These activities were aimed at preparing practical measures for co-operation in research and production and they included, in addition, problems of export and import of the commodities under examination.
- (iii) Investment projects in both countries which were related to the problems discussed under (i) and (ii).
- (iv) Finally, the provisional volume of total exports and imports was fixed. These figures were agreed upon in value terms. Apart from this export and imports, items in physical terms were fixed, too. Such were, in most cases, directly derived from problems studied under (i), (ii) and (iii).

It is obvious that all results of the bilateral plan co-ordination made industrial planning targets well substantiated. They channelled foreign economic relations (mainly foreign trade) to the concrete requirements of the national plan. In addition, this approach solved the basic foreign market problems of industry in advance.

Mention should be made of the fact that international co-ordination activities described in this chapter were repeatedly executed. Any relevant intermediate result of industrial planning was continuously coordinated with the other CMEA-partners unless a solution satisfying all countries has been found. Naturally, this stage of plan co-ordination for 1976 - 1980 lasted more

than two years.

In the same way multilateral co-ordination on selected problems of economic cooperation was continued. Problems under study were: construction of an intercontinental gas pipeline, of an international electricity transmission grid, of new capacities for production of cellulose, asbestos etc.

During this time certain problems of economic and technological cooperation could be settled finally. In such cases provisions were made for preparing and signing international (bilateral or multilateral) agreements on specialisation of production or on joint investment projects etc., whilst co-ordination of the five-year plans was still under way. Limited in number, these agreements marked the completion of the plan co-ordination as far as the respective problems were concerned. Accordingly, industrial planning in this field was near to completion as far as the impact of foreign economic factor on it was concerned.

4. Final stage of plan co-ordination

When plan co-ordination came to an end, its results were fixed in bilateral protocols signed by the chairmen of the State Planning Commissions. They summed up total exports and imports in value terms and a great number of exports and imports of selected products in physical terms. These figures were directly included in the various national balances described in detail in another paper of this training course. The results of plan co-ordination affected preferably the balances of sources and uses of commodities and commodity groups.

Industrial planning, however, is by no means confined to physical planning only. Planning in value terms, naturally, is an important element of socialist planning. Therefore, plan co-ordination had to deal with this problem, too. The main problem in this field is the price problem. As part of plan co-ordination, the member-countries of the CMEA discussed also the problem which prices and the prices of which period should be taken as basic for evaluation of exports and imports and, later on, as

basis for fixing the individual prices at which all foreign trade operation between the CMEA-countries would be actually executed.

After the signing of these protocols industrial planning went on in the countries concerned and the draft of the plan was completed.

C Organisation of plan co-ordination

1. The institutional framework of plan co-ordination

No mention has been made so far of the organs which are in charge of plan co-ordination. Since co-ordination of plans is a matter of co-operation between national planning authorities they play the most important role in it. Planning in socialist countries is almost a problem of central or centralised planning into which all planning activities of sectors, enterprises etc. have to be merged. Therefore, plan co-ordination is basically a task of the central planning organ, the State Planning Commission. It executes co-ordination work on general problems of national development but also of industrial development. The general co-ordination is done by specialised departments of this Commission whereas its sectoral departments (e.g. metallurgy, machine-building industry, construction etc.) are responsible for sectoral co-ordination work.

It must be added that sectoral co-ordination in detail is within the competence of the various ministries which are supervising and directly managing development of the branches of industry (the number and the names of such ministries are different in the member countries of the CMEA but in any case there are always several ministries responsible for industrial development). So, ministries assist in plan co-ordination. Within the frame of the central (provisional) plan targets they have the right to do this work independently. Enterprises and associations of national enterprises are, of course, invited to take an active part in sectoral co-ordination.

On the international level in the CMEA-area the Committee for Cooperation in Planning is the main organ for plan co-ordination. It prepares the programme for all co-ordination activities, discusses the topics which should be included in this programme and drafts the schedule for the co-ordination work. All these documents have to be discussed by the Executive Committee of the CMEA which has to adopt them. What follows is the execution of plan co-ordination by the Committee for Cooperation in Planning. All member countries of the CMEA are represented in this organ by the chairmen of the State Planning Commissions. This Committee is fully responsible for the co-ordination of plans; it discusses multilateral problems, supervises bilateral co-ordination of plans whether this work is in accordance with the programme adopted by the Executive Committee. Special problems of plan co-ordination which are related to sectoral development and sectoral co-ordination are left by the Committee for Cooperation in Planning to the Standing Commissions of the CMEA. These Commissions are in charge of international cooperation (and co-ordination too) in their respective fields e.g. in metallurgy, machine-building, agriculture, consumer goods industry etc. Each member-country of the CMEA is represented here by ministers.

2. Juridical aspects of plan co-ordination

The general document for all co-ordination activities is the "Comprehensive Programme" and the Statute of the CMEA which define the scope within which the international organs of the Council will have to act. As a rule, co-ordination of plans is completed by a large number of international agreements. So, multilateral co-ordination on basic long-term problems and projects is finished by multilateral agreements (mainly called general agreements) which after discussion in the Committee for Cooperation in Planning and in the Executive Committee will be signed by the governments interested in this matter. As regards multilateral problems of sectoral co-ordination, the Standing Commissions prepare adequate agreements which have to be signed by the governments, too.

As could be seen from part B of this paper such agreements, both multilateral and bilateral, are prepared and signed while the process of co-ordination is still going on. They mark only the final results on selected problems of co-ordination which can be definitely and unambiguously included in the national plans. As soon as bilateral co-ordination as a whole has ended, its results are fixed in protocols of the chairmen of the State Planning Commissions. After the signing of these documents the State Planning Commissions are committed to them when drafting the national plans. These protocols are also the direct basis for preparing the five-year trade agreements between the CMEA member countries. This work is done by the ministers of foreign trade.

Finally, all results of plan co-ordination no matter whether they are already fixed in international agreements on specialisation of production (multilateral or bilateral) or in the protocols of the chairmen of the State Planning Commission, in the trade agreements or in other documents are included in the respective parts of the national plan. The plans on the central, sectoral and enterprise level will be finally adopted by the national authorities only after they had been balanced both on the national and international scale.

Recently, an additional part was included in the national plan of the GDR and the other member countries of the CMEA comprising all targets in the field of international socialist integration.

As can be seen from this very short discussion of some juridical aspects of plan co-ordination, any step in the field of international cooperation in the CMEA-area has to be fixed by agreements of various kinds and to be included in the national plans, too. Implementation of plans means implementation of international agreements.

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