

Economic cooperation in Europe. Varsavia, 20-21/XI/71.

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Wilhelm M. Breuer

CO-OPERATION BETWEEN DIFFERENT SYSTEMS

THE POSSIBILITIES AND ADVANTAGES OF CO-OPERATION WITHIN THE FRAMEWORK OF PAN-EUROPEAN SECURITY SYSTEM

The creation of an effective security system based on equality and mutual respect between all states is today on the agenda of European history. The initiatives of the member-states of the Warsaw Treaty, the signing of treaties between the Soviet Union and the German Federal Republic as well as between the Polish People's Republic and the German Federal Republic and the quadripartite agreement on West Berlin are important milestones along the road leading toward the strengthening of peace in Europe.

The alignment of forces in Europe has shifted to the advantage of the forces of peace. The old dreams about a "roll-back" have proved unrealistic. A majority of people on our continent are aware that Europe needs peaceful co-operation between states with different social systems or else it must be prepared to perish.

The Understanding of the truth that international problems can be solved today only at a conference table has led to a situation in which a vast majority of European states now consider that an All-European conference on security and co-operation, postulated for many years now, would be necessary and useful. This conference will constitute an important yardstick of the character of the foreign policies of European states.

Security and co-operation in Europe

A collective renunciation of the use of force or threat of using it in mutual relations between European states must be one important result of the all-European conference. The

strengthening of peace and ensuring of security of all European states requires that the principle of peaceful co-existence of states with different social systems become a common basis of the foreign policies of all these states. Peaceful co-existence means, however, not only that the possibility of war between the socialist and capitalist states is ruled out once and for all. The observance of the principle of peaceful coexistence creates, moreover, the possibilities of a development of positive relations between those states.

Consequently, the promoters of the conference have proposed that this All-European conference also deal with the second item of the agenda: the widening of economic as well as scientific-technical relations based on equal rights.

Before I start to analyse the possibilities of this co-operation I would like to point out to a fact which must never escape our attention: there exists a close mutual relation between security and co-operation. These two factors complement and condition each other. Security - as Domday put it very rightly at one time - is not generally possible without co-operation, while in principle, there can be no co-operation without security. In my opinion, however, the security factor gets in the first place in this mutual relation, because no real co-operation would be possible without being secured in political terms. That is why a consolidation of co-operation requires, first of all, the creation of a climate of mutual confidence based on the principles of respect for the existing European frontiers, of equal rights of all states and of the observance of their independence, integrity and sovereignty. A lasting peace opens ample prospects of co-operation for all-European states which in turn, not only requires peace but serves the future development of economy, science, technology and culture of all the states concerned, as well. These positive effects, these both direct and indirect impact of European security on the life of European nations should, in my opinion, be underlined more strongly than so far in the present discussion on the subject of foreign policy. For it could not only contribute to the creation of political bases but also help, to smoothen the inescapable task of foreign and home politics.

Possibilities and advantages of trade between different systems

Both in capitalist and socialist states in Europe it appears in the course of the present scientific and technical revolution that the principles of development of productive forces require a further deepening of the international division of labour.

It is under the conditions of the present day that the principle according to which an international division of labour is a source of increased productivity is binding. The necessity of an intensification of international relations, resulting from the scientific-technical revolution, can be treated as a general economic rule which applies irrespective of social systems. As it has been demonstrated by the development of the situation in the course of the last two decades, this tendency has been observed in economic relations between the two world systems despite the fact that it has served different goals. No state can afford today to oppose, in the field of economy, the trend for a deepening of the international division of labour.

Although this tendency existed, in the initial phase, almost exclusively within the framework of the two world systems, it has become obvious that this is no longer sufficient. Politicians are increasingly aware, of the necessity of spreading the international division of labour over the relations between the two systems.

In reality there appear to be numerous possibilities of broadening the mutually advantageous economic contacts between the systems. It would be possible to considerably widen trade contacts between capitalist and socialist states on the basis of secured peace in Europe, because up to this day the division of Europe is also mirrored in commodity exchange between the two systems. You all know that for many long years, the NATO strategy was aimed at paralysing normal economic relations between the East and the West so as to hamper also in this manner the development of socialist states.

Nothing has changed till now in this respect. Although there is an increase in commodity exchange between

the two systems increased in the period 1960-1966 from 5,400 to 10,200 million dollars - which meant a faster growth than in world trade taken as a whole or in trade within the individual systems, nevertheless it still accounts for a mere five percent of the overall world trade. There still exist the embargo lists established by NATO and the trade policy of the EEC hampers a quick development of economic contacts.

Nevertheless the understanding of the fact that in the face of the present alignment of forces such a policy lacks realistic prospects has led, in a number of West-European countries, to an increase of interest in trade between the East and the West. France provides the best example of this new orientation. The positive development of co-operation between the Soviet Union and France has found its expression - as you know it - in the "principles of co-operation" signed on October 30, 1971. This document can serve as an example for all European states.

In fact, the advantages of cooperation are obvious. The intensification of international commodity exchange can open new markets for the interested countries and enable mass production /with a resulting reduction of costs connected with it/, also in those areas whose national markets or the todays foreign markets are too small. Specialization and the reduction of costs resulting from intensified international division of labour, would be a considerable advantage.

A chance of new possibilities of sale - in particular in the face of sharpening competition between capitalist states - constitutes an attractive perspective for many big West-European firms. In the German Federal Republic this can be seen, first of all, in those branches of economy, which found themselves in face of especially great sale problems /as for instance steel industry/, during the crisis of 1966-1967. Moreover, the fact that trade with socialist states - whose economic system knows no potential causes of crises, and is based, first of all, on long-term plans - can have a stabilizing effect on the economy of capitalist states.

An expansion of trade is at the same time advantageous for working people of Western Europe, as new and stable markets help to secure jobs. Although East-West relations cannot prevent the capitalist economy of the monopolies from the system of crises which is imminent for them, they nevertheless constitute a factor of relative stabilization. This not only serves the most elementary interest of working people but also broadens the room of manoeuvre for forcing through the demands of improved living standards of manual and white-collar workers. This, in turn, can bring a further positive result: increased imports from socialist countries, at stable prices in the long term, can help to maintain stable prices in capitalist countries, and by way of competition, this can reduce the possibilities of price fixing by monopolies with the resultant additional profits.

Other forms of economic cooperation

A broadening of trade relations is the easiest to achieve in a short time, but it is not by far the only possibility of cooperation between the systems within the framework of European security system. The socialization of production which makes progress during the process of scientific-technical revolution requires economic cooperation between the systems both in the domain of production and circulation, it must go beyond the limits of pure trade. Numerous premises for far-reaching cooperation can be seen already today.

The first step towards broadening cooperation in the domain of material production could be a specialization of production settled between the two systems. It would be a rational consequence of the development of trade relations. Such a form of cooperation, which would embrace an exchange of know-how and trade in patents and licences, might lead to a lasting deepening of the division of labour between the systems in Europe.

Next, considerable possibilities of cooperation exist in the domain of joint obtaining and using of raw materials and

The highest stage of cooperation in the domain of production itself a stage whose beginnings have already been made and which could be intensified in the future - is the building of joint projects, establishment of "mixed" factories. This sort of capital and legal relations precisely might lead to division of labour agreed on a long-term scale, to the mutual advantage.

Possibilities of scientific-technical cooperation

In the highly industrialized states of both systems science becomes today a direct productive force and its role in the process of social production is constantly growing. This trend is matched by the growing possibilities of cooperation between the system in the domain of science and technology. This kind of cooperation bonds already exist in initial form /although mostly in bilateral form/ in the domain of space research, meteorology, study of the Antarctic, geophysics, desalination of sea water, etc. However, the conception realized so far lags far behind the possibilities. And so identical research is made at the same time in various countries and the resources are wasted in this way, while many urgent research projects outgrow both the financial and research possibilities even of the bigger states. Therefore an intensified scientific-technical cooperation would be advantageous for all the states involved. It could allow for organization of research in the context of the great economic rationalization, it could help to accelerate progress in science and technology and provide West European states with an opportunity to effectively oppose the oft-repeated "North American challenge" and thereby reduce the economic dependence of Western Europe on the U.S. capital.

At all-European level scientific-technical cooperation can assume various forms. Coordination, division of tasks and mutual information alone may exert a positive influence on progress in many domains of science. This applies in particular to such important, new, and highly specialized scientific studies as plan physics. That it could be necessary to look on the one hand at the research and on the other at the research institutes

in which scientists from socialists as well as capitalist countries would work together.

Medicine is one more field for relations of cooperation. Cooperation between the systems might embrace the joint compiling of documentation and bibliography, exchange of results of research, division of labour based on a treaty, and up to jointly conducted studies /for instance, on the combating of cancer/. In hardly any other field the direct advantages for all European nations could be seen as quickly as here. But it is remembered that, for instance, the government of the German Federal Republic is using up to this day all the possible measures to prevent the German Democratic Republic from being admitted to the World Health Organization, it can be seen what obstacles are to be overcome in such a vital domain for all European nations as cooperation in medicine.

More possibilities of scientific-technical cooperation arise in solving problems which stem from the present stage of industrial development and which can only be solved in a limited degree on a national scale, to mention the problem of great importance for our health and the life of future generations: the problem of protection of the environment. The problems which concern today all the states of Europe can be successfully solved only by joint effort.

Finally, one must point to the fact that science and technology can exert directly a positive influence on the strengthening of European peace. For the creation of a stable all-European security system will allow, not only through limitation of armaments and disarmament, to finance the most important social projects, and it will also allow to create conditions for a new orientation of science. Today a sizeable proportion of the existing scientific potential is used in the domain of armaments and technology and science often are merely a by-product of military research. Secured peaceful coexistence in Europe could in the future make it possible for peaceful international research projects involving both systems and aimed in the first place at improving the welfare of the nations of Europe.

Ladies and Gentlemen, I should like to conclude here my "tour d'horizon" concerning the possibilities and advantages of

all-European cooperation. But let me remind you once again that there exists a complex interdependence between security and cooperation. Economic and scientific-technical relations alone cannot secure peace in Europe.

We must not forget that there are the strategists of imperialism who endeavour to abuse the relations between the systems, treating them as an instrument aimed against socialist states.

We all know the offer of selective coexistence from the recent years, advertized as "new Eastern policy". Hidden underneath is nothing else than dangerous attempt to split socialist countries, weaken them and gradually make them unilaterally dependent.

If we consider ourselves to be scientists, who have obligations with regard to the prosperity of the nations of Europe, it must also be our task to cooperate in laying the political foundations of a peaceful order. Paraphrasing a well-known quotation, we might say that peace is too serious a matter to be left to politicians alone. The nations of Europe are called on today to contribute with their activity to the strengthening of peace. Europe of tomorrow must be a Europe of peace, a Europe of security and cooperation.

Adm-Kalman

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Development of economic cooperation in Europe as the factor of establishing a system of collective security and durable peace

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Problems of protection of human environment, needs and possibilities of international cooperation in this field.

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The development of technology has traditionally been oriented ^{exclusively} towards economic growth. Today it is realised that the immense social benefits that have flowed from science and technology are sometimes accompanied by social disbenefits. A new awareness of the finite resources and the complex natural relationships on which man depends for his survival has enforced a shift in values that assigns a much higher priority than before to the control of the side effects of technology. The destruction of the environment, the disequilibrium of the ecosystem and the exhaustion of natural resources are not fortuitous events; they are linked with the orientation of technical progress. There is today a widening range of technical possibilities for policy choice with respect to possible adverse environmental effects. The question will remain of how to apply our knowledge constructively in order to cope with the environmental problems, minimising pollution and disamenities.

Protection of public health is usually the primary concern of environmental planning. World Health Organization defines health in the following manner: "Health is a state of complete physical, mental and social well-being, and not merely an absence of disease and infirmity". This definition evidently includes what we normally call amenity. The goal of environmental protection is thus not only to eliminate severe health effects, but also to protect amenity and avoid nuisances, such as noise, irritating odours and spoiling of landscape.

The objectives to be achieved in relation to environmental quality further includes minimisation of effects with immediate economic consequences, e.g. corrosion of materials, effects on agriculture, forestry and animal husbandry, etc. Finally it is our responsibility to prevent undesirable

biological and physical effects, short term and local as well as long term and global, e.g. changes in ecosystems and climatic effects.

Air pollution across national boundaries

The information available on the total economic consequences and long term effects of environmental pollutants is scanty. This is especially the case for air pollution. A study of the perhaps most acute air pollution problem in Europe, sulphur in air and precipitation, has recently been undertaken by Sweden as part of the preparatory work for the United Nations conference on the human environment in Stockholm 1972. Sulphur is emitted into the atmosphere in connection with various industrial processes and energy production for industry as well as for household consumption. In this study a rather detailed analysis is presented of how such emissions cause damage to the environment both in the form of sulphur dioxide in the air and as sulphuric acid deposited on the ground. The data show that sulphur dioxide in the air may cause human health hazards, corrosion on metallic surfaces, deterioration of painted surfaces and effects on vegetation. These effects are, however, confined to rather small areas in the immediate vicinity of the emission sources, and the damage is mainly local.

On the other hand, it is also shown that ^{as a} ~~the~~ mean ~~time~~ sulphur remains in the air ^{for} ~~is~~ two to four days. Sulphur is ^{the} on average transported more than 1000 km before it is deposited on the ground. The harmful effects caused by the deposition of sulphuric acid may be felt far from the source. Hence the countries of Europe are strongly interrelated in this respect.

An attempt is made in the report to assess the damage as a result of deposition of excess sulphuric acid in Sweden. A decrease in ^{the} productivity of forest land can be expected. According to the study by the year 2000 the annual growth of the forests in Southern Sweden may be reduced by 10 - 15 per cent of the amount expected without acidification.

Many rivers and lakes in Scandinavia show an increasing acidity (decreasing pH) which mainly seems to be due to the deposition of sulphuric acid. In ^{area} South-West Sweden and Southern Norway where the changes are most pronounced, effects on the lake fauna have been demonstrated. It is also shown that, if the present development continues, in less than 50 years

about 50 per cent of the lakes and rivers in the areas concerned may have pH-values of 5.5 or even 5.0, which is critical for most fishes. Sulphur thus causes changes in the environment and damage, not only locally in towns and in the immediate vicinity of large single emissions, but also over considerable distances, from hundreds up to several thousand kilometers from the source of the pollution. This means that activities that involve emission of sulphur may cause damage in neighbouring countries. Adjacent countries intervene in each other's economics through the effect of atmospheric pollutants. It will in many cases be necessary to have international agreements to cope with the deposition problems. As far as sulphur is concerned, the agreements ought to aim at limiting the emissions ~~within areas up to several thousand kilometers across~~ to such proportions that the deposition of acid will not cause serious damage within any part of any one region.

There are many ways in which sulphur emissions can be reduced. The study has shown that an appreciable reduction can be achieved at relatively ^{low} ~~little~~ cost in some industries where sulphur is part of the industrial process. Measures designed to take advantage of this possibility should be taken as a matter of urgency. It is essential that the measures are forcible enough so that they will lend to the development of a new and less polluting technology.

As regards the production of energy by the combustion of fossil fuels a certain reduction in the sulphur content of oil, using sulphur extraction, is probably the most inexpensive method if only a modest reduction in the sulphur emissions is aimed at.

Environmental aspects of electric power production

On the other hand sulphur emissions in the air comprise only part of the wider problem of the rapidly increasing consumption of energy in the world. The development during the last decades and, above all the increased production of energy through oil combustion, has given rise to a whole series of environmental effects. These adverse effects are ^{so} ~~that~~ serious, that the possible future development needs careful consideration.

There are several major consequences of energy production/ ^{so} ~~that~~ recognised in relation to environmental conditions. The thermal discharge to rivers, lakes, estuaries and the sea

has appeared more and more frequently in the lists of "pollutants" from power production. With a greater proportion of the total electrical energy load being provided by nuclear power, which has a low efficiency, a high percentage of the converted energy is dispersed as heat directly to the environment.

The power stations fuelled with oil or coal imply great pollution problems in connection with fuel transportation. They furthermore constitute a major source of discharge of certain pollutants into the atmosphere. The principal concern is with sulphur compounds, as discussed above, ^{with} particulates, oxides of nitrogen and the long-term effects of carbon dioxide.

Until recently carbon dioxide production from fossil fuelled combustion processes was a small contributor to the increase in atmospheric levels. By 1980-1990, however, the power industry will be the major contributor according to U.S. forecasts. A projected 18 per cent increase of the CO_2 resulting from fossil fuel combustion to the year 2000 might increase the surface temperature of the earth ^{by} 0.5°C , a doubling of the CO_2 might increase mean annual surface temperatures ^{by} 2°C . This latter change could lead to long-term warming of the planet. The description is complicated by increases in the particulate and aerosol burden. Fine particles change the heat balance of the earth because they both reflect and absorb radiation from the sun and the earth. The magnitudes of these effects are unknown, and in general it is not possible to determine whether such changes would result in a warming or ^{a)} cooling of the earth's surface.

If a CO_2 problem exists a policy of increased nuclear power production will act to minimise it and this can be achieved over a number of years. Conversely major problems of air pollution such as sulphur dioxide, nitrogen oxides and particulate loads are capable of being controlled by reasonably short-term actions. Nuclear power production removes much potential from several areas of pollution and is probably comparatively less polluting than other fuel technologies except natural gas and hydroelectricity.

It would be of great importance to study the economic consequences of alternative power production policies with inclusion of the environmental impact of electric power generation. Damage cost is, perhaps not known in some instances but may be accomplished by ascertaining the preventative costs for the ^{preventative} disamenity in question. An evaluation of both benefits

*Radioactive
pollution?*

and costs is a necessary prerequisite for a comprehensive, economically sound national policy for the production of electrical power.

Energy policy illustrates how the complex problems of our modern societies demand solutions based on technically intricate considerations. Due to the far-reaching social and economic implications, the final balancing of the different aspects is, however, a political question. It is accordingly an important task for the experts to work out different alternatives of development with all their consequences. Such a procedure makes it possible for the politicians to ^{examine} ~~overlook~~ the different conceivable chains of development and subsequently make a well-founded choice. Different premises give different results, which means that the decision-makers shall call for a planning process that accounts for varying social and economic estimations.

Protection of the Baltic Sea

One of the most urgent regional environmental problems of Europe is the care and the protection of the natural resources of the Baltic.

The rapid deterioration of the state of the Baltic is mainly due to eutrophication through overfertilization, resulting in a disturbance of the oxygen balance in the Baltic's deep water.

One reason for the ceaseless pollution of the Baltic is apparently the opinion that pollution and poisons disappear through dispersion or dilution into sufficiently low concentrations. At present it is realized that such measures are quite inadequate as the Baltic is shallow and its water volume relatively small.

The Baltic water is brackish, the salinity of the surface water being only a seventh of the salinity of the oceans. Hence, the fauna and flora are unique including marine, true brackish-water and fresh-water organisms. The relatively low nutrient contents of the Baltic water, the climate and certain peculiarities of the topography make the Baltic sensitive to even small changes in its natural state.

The enormous waste disposal into the Baltic Sea includes untreated waste water from cellulose factories, domestic sewage, various toxic substances, old mustard gas bombs, packings emptied overboard from passenger ships, oil from ships and other sources etc.

The predominating consequence of this pollution is eutrophication, that is increased primary production caused by nutrient salts, especially phosphates originating from domestic sewage, field and forest fertilizers and industrial waste water. The eutrophication produces an excess of organic matter that decomposes, removing oxygen and killing the fish. A complete oxygen deficit is especially dangerous as the putrefaction which takes place in an oxygen deficit creates poisonous ^{sulphide} sulphur hydrogen. A trend of diminishing oxygen concentration has been noted in the Baltic. In some places the zero level has been reached resulting in formation of ^{sulphide} sulphur hydrogen. The areas with an oxygen deficit tend to expand. The most serious situation so far was observed in 1969.

In addition to eutrophication, the balance of the nature in the Baltic is threatened by chemical substances with widespread ecological effects, such as heavy metals and chlorinated hydrocarbons. Many heavy metals, e.g. mercury, lead, cadmium and zinc are highly toxic. Most are concentrated in terrestrial and marine organisms by factors ranging from a few hundred to several hundred thousand times the concentrations in the surrounding environment.

Chlorinated hydrocarbons, e.g. DDT and PCB, build up in marine ecosystems and cause reproductive failures in many marine species. High DDT and PCB contents have been found in the living organisms of the Baltic. Today chlorinated hydrocarbons occur in organisms all over the world. A drastic reduction of the escape of toxic substances into the environment is thus indispensable on a global scale if the deleterious effects are to be curtailed. This can be done immediately and has, in the case of DDT, already been done in several advanced industrial societies. The developing countries are, however, for economic reasons dependent on DDT and related persistent pesticides. It is the responsibility of the rich countries to carry the major burden of remedial action: to work out new pest control techniques and to subsidize the developing countries to enable them to use nonpersistent but more expensive pesticides.

Oil spills have become frequent due to the considerable risks attached to the transportation of oil by ship. The potential effects on the Baltic of an accident with one of the new oil-carrying super tankers are frightening. Above all birds and fish are affected by oil damage. The destruction of birds can have a detrimental effect on the balance

of nature. Still worse is the effect of oil on plankton and fish. In addition to oil the emulgators used for the dispersion of oil are dangerous for the marine organisms and the fish.

The moderate price of oil on the world market is an example of the fact referred to above, namely that at present the prices of the different modes of energy are not always comparable with each other. The price of oil does not yet include the cost of environmental protection. Society has to pay the expenses caused by pollution from oil transports and combustion through other funds. On the other hand the price has also been influenced by the fact that most of the oil comes from the former colonies of Europe and North America, the present Third World, the conditions being laid down by the receiver. A comparison of the part of the earth's natural resources used by the industrial countries and the part used by the developing countries is not encouraging. One American consumes 50 times more than an inhabitant of India. A primary condition for the peaceful development of mankind is that all peoples independently can decide on the basis of their own economy, on the use of their natural resources.

The ecological balance of the Baltic is extremely sensitive to disturbances. The salt water organisms fight against fresh water conditions, whereas the fresh water organisms endure on the extreme limit of their tolerance of salt. The nature of the Baltic is barren and easily affected by changes. The Baltic belongs already to the worst loaded sea areas. Hence actions to protect the Baltic are urgent, including following measures:

- purification of domestic sewage and industrial waste water based on removal and recovery of nutrient elements, especially phosphorus
- survey of the discharge of toxic substances and stopping of such discharges
- improvement of the effectiveness of oil pollution control and prohibition of all types of oil discharge
- survey of the dumping of solid wastes (also retroactively) and prohibition of dumping of all kinds of solid wastes.

It is obvious that the Baltic can be saved only by means of international cooperation. There is an immense need for scientific cooperation as well as common regulations and standards in the Baltic region. However, an

agreement between the states in the Baltic region is necessary before concrete protective measures become possible. An agreement presupposes the recognition of the German Democratic Republic. So far it has only been possible to discuss protective actions unofficially or bilaterally. The cooperation between Finland and the Soviet Union for the protection of the Gulf of Finland is a good example of bilateral cooperation.

The United Nations conference on the human environment is taking place in the summer of 1972. Great hopes are set on this conference. A recognition of the German Democratic Republic would further contribute to the success of the conference, as it is of great importance that the conference maintains an official character.

International cooperation is an indispensable prerequisite for a solution of environmental pollution problems and for human survival. The European countries may together act for the care and protection of nature. This has to be done on the basis of equality between the states in all respects. Peaceful coexistence of the European countries is an absolute necessity for the protection of environment. The work for strengthening security and peace strongly serves the purpose of improving the human environment and the quality of life. The Finnish public opinion hopes that the Conference on security and cooperation in Europe shall prove significant in promoting this work.

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Prof. Józef Soldaczuk

DEVELOPMENT OF ECONOMIC COOPERATION IN EUROPE
AS A FACTOR OF RELAXATION IN INTERNATIONAL RELATIONS AND
CONSOLIDATION OF EUROPEAN SECURITY

Basic Problems and Prospects

1. Preliminary Remarks

1. Progressing relaxation in East-West relations and the ever more tangible possibility of full normalization of political relations in the world and especially in Europe, are creating new conditions and prospects for the development of a much broader and more comprehensive economic co-operation between all countries of the world irrespective of their social and political systems.

The Conference now being prepared on Security and Co-operation in Europe should become an important step forward on the road towards a full normalization of political relations and should start a new stage of economic co-operation in the world.

The Conference is to discuss not only problems and political relations between states having different systems, but should attempt to formulate a positive programme of comprehensive economic co-operation between all countries in the world and in particular European countries.

In our times, the development of economic co-operation on the scale of the whole world and of individual continents is becoming ever more an objective economic necessity. The very rapid increase of population in the world, the dramatic development of productive forces and especially the very fast advance of science and technology and the development of modern means of transport, communication and mass media connected with it, cause that our world is becoming more compact and at the same relatively smaller account taken of the time needed to cover the distance between various countries and continents as well as to communicate and to exchange information about various events.

The fact that the modern world is getting more compact and smaller increases considerably the degree of mutual economic

interdependence between countries, groups of countries and continents.

The development of science and technology creates ever better objective conditions and reveals new possibilities of a comprehensive development of mankind, acceleration of economic and social expansion of all countries and in particular that of less developed ones, gradual overcoming of their backwardness and gradual liquidation of century-old disproportions and differences in level of development.

At the same time, however, the general and very rapid development of industry and urbanization in a growing number of countries, while being an essential and indispensable factor of development and progress, is the source of serious danger for the human natural environment; unless appropriate measures are adopted soon enough to protect this environment, the situation may have inestimable consequences in the future.

The problems now being faced the need to ensure conditions, are extremely complicated and difficult. Their solution calls for substantial funds as well as for human skill and qualifications. The requirements involved are so great that they exceed the possibility of being coped with by individual countries or even groups of countries. They call for concerted action of all or of larger countries in various continents, or even of the world as a whole. The existing problems would be much easier to solve if at least a part of means wastes in the armaments race could be spared and earmarked for ensuring proper conditions of development for humanity.

Progressing relaxation in political relations between countries of different systems, and the prospects of further normalization of these relations, allows to hope that the armaments race will be gradually replaced by competition and co-operation in the economic field with a view to solve in a better and more comprehensive way the complicated problems faced by the modern world.

On its part, the development of mutually profitable economic relations will contribute to a more rapid improvement and further normalization of political relations in the world; it will also help to adopt the principle of peaceful co-existence as the basis of relations between all countries of

the world, irrespective of their socio-economic and political systems. The mutual inter-dependences and "feed-back" occurring between political and economic conditions can and should be utilized for a more rapid development of peaceful economic and political co-operation in the world, in the interest of a rapid and comprehensive expansion of all countries.

Since a long time already, socialist countries have declared themselves in favour of a broad and comprehensive development of peaceful economic and political relations in the world, irrespective of the social and political systems of individual countries. We assume that differences in social or political systems constitute no "natural" obstacle nor "natural" limitation to the development of mutual economic relations. These relations should be based on principles of equal rights and mutual benefits.

These general principles of mutual economic co-operation are beginning to be ever more universally accepted. Therefore, the most important task at present is to work out practical means of gradual application of these principles into the practice of life.

Possibilities of rapid development of profitable economic relations between East and West are evident mostly in Europe. Convenience and proximity of geographical location, the long-lasting traditional economic bonds and cultural ties as well as smaller differences in the level of development compared with other continents, create wide foundations for the expansion of mutual economic relations. Also, European countries have relatively the greatest experience and achievements in mutual economic co-operation, particularly in relation to trade contacts. The respective relations have been developing ever more satisfactorily and the growth rate of mutual trade is high. Europe is faced with the largest number of problems which can and should be solved jointly by all European countries. For example, there is an ever more distinct possibility of mutual co-operation in prospecting and mining new raw materials deposits, development of a European power economy system and Europe-wide transport system.

It is necessary to work out a new all-European system of international division of labour complying with the level of industrial development achieved by the two parts of Europe. There are appearing large possibilities of co-operation in the field of science and technology and of creating convenient conditions for a more rapid development of tourist movement between the two parts of Europe.

A very important problem which should be taken up by all European countries is the above mentioned task of protecting the natural environment of man. For Europe this is a very urgent problem in view of the particularly high level of danger threatening the natural environment, caused by the especially dense concentration of industrial and municipal centres.

The discussed possibility and need of rapidly developing economic relations between countries belonging to the two socio-economic systems in Europe does not mean that co-operation of the countries belonging to the two systems should be limited exclusively or mostly to all-European co-operation. On the contrary, the question consists in the broadest possible development of profitable economic co-operation with all countries of the world. We see that there are large, so far nearly non-utilized possibilities for developing economic relations with developed countries outside Europe, mainly the United States, Canada and Japan. We are aware of the existing possibilities and expected advantages, and we are interested in the largest possible development of economic relations with countries of the so-called "third world".

We consider that all-round economic co-operation in Europe and co-operation with developed countries outside the European continent may contribute to a more rapid development of economic relations between the developed countries of the two systems and developing countries and will facilitate and speed up the development of the latter group of countries. It has been rightly emphasized on repeated occasions at many international economic conferences organized under the auspices of the United Nations that international trade and international economic relations are inseparable and that it is impossible to solve

successfully the complex problem of economic and social development of the world without an appropriate development of economic relations between all the participants of the world-wide process of production and trade exchange. Therefore, we are in favour of the broadest possible expansion of economic relations between all countries of the world irrespective of their socio-economic systems, relations based on principles of equal rights and mutual profits.

2. An Outline of the Development of East-West Economic Relations

Passing to a more detailed discussion of problems and prospects of development of East-West economic relations, it is indispensable to characterize the present situation in this field.

To begin with it should be recalled that the state of long-lasting tension and "cold war" in political relations between the countries of East and West up to the middle of the 50-ties and the sharp restrictions imposed by highly developed capitalist countries on trade with socialist countries, motivated by "strategic reasons", prevented any larger development of economic relations between the countries of the two systems. Relaxation in political relations and gradual discontinuation of the "cold war" policy and the subsequent gradual attenuation of restrictions in trade with socialist countries, contributed to a rapid expansion of economic relations - mostly trade - between East and West.

Over the period of 15 years from 1955 to 1970, exports from highly developed capitalist countries /western Europe, North America and Japan/ to the countries of eastern Europe affiliated with COMECON grew from 1,130 million dollars to 8,400 million dollars, i.e. 7.5 times. In the same period, exports of East European countries to highly developed countries increased from abt. 1,200 million dollars to 7,500 million dollars, i.e. six-fold.

Over the last decade /1966-1971/ when the reference level of mutual turnovers was already much higher, the growth rate of East-West export and import exceeded 10% annually and was much higher than the global growth rate of export and import in highly developed industrial countries.

In spite of the relatively rapid pace of trade growth between East and West, the attained absolute level cannot be

considered satisfactory. The share of East-West trade in world trade accounts to a mere 2.5%. When compared with the achieved level of industrialization and production potential in East European countries measured in terms of share in the industrial production of the world /evaluated at abt. 30%/ , the respective disproportion is quite striking. Thus, the possibilities of developing mutual economic relations and of East-West trade are considerable and far from being utilized.

The main role in economic relations between East and West is played by economic and trade relations between countries of eastern and western Europe. In terms of trade volume, these relations encompass 87-89% of global East-West turnovers. However, the share of trade with eastern Europe in total import and export of West European countries as a whole amounts to slightly more than 4%. In this way, also in Europe the possibilities of developing trade and economic relations between East and West are far from being utilized.

This situation is largely due to the restrictions and obstacles set to East-West trade in 1950 by the western countries in the form of prohibitions and restrictions imposed on export to socialist countries out of strategic reasons, as well as quota restrictions in imports from socialist countries, and various other obstacles in the form of tariffs etc. With progressing relaxation in East-West political relations, limitations of the strategic type were considerably reduced. Quota restrictions imposed on imports from socialist countries were gradually liberalized. Nonetheless, a part of quota limitations was maintained and continue to be a factor hindering the development of East-West trade.

Moreover, a part of socialist countries has been deprived of the right to use the Most Favoured Nation Clause in trade with western countries, and products exported by them are subject to higher customs duties than articles exported by the majority of other countries /the latter does not apply to Poland which both as a result of bilateral negotiations and in connection with her membership in GATT has been granted the Most Favoured Nation Clause/. For countries which do not have the right to

use this clause, the access to western markets is much more difficult and the terms of trade and export are much less profitable. As a result, incomes of foreign means of payment in convertible currencies of the western countries are lower than they could be /were such restrictions and discrimination not applied/, which in turn limits the export possibilities of East European countries. Therefore, it can be said that the extent of mutual East-West trade would be much larger if western countries would not apply restrictions, especially restrictions of the discrimination type.

Also, the commodity structure of mutual trade fails to correspond to the industrial development standard achieved by East European countries. So far, on the side of export from East European countries this structure has been mostly characterized by sales of raw materials, fuels, agricultural and food produce and some industrial semi-products. The latter commodities account for abt. 78% of total exports to western Europe, whereas export of finished industrial commodities amounts to 22% only, including slightly over 9% of machinery, equipment and transport installations. If one considers that the share of industrial goods in global exports of the socialist countries of eastern Europe accounts for over 54%, and the export of machinery and equipment /transport equipment included/ amounts to nearly 39%, the respective disproportion is very high.

Export from West European countries to eastern Europe is dominated by industrial commodities which account in total for abt. 68% of exported products. Some 40% of global export is constituted by machinery, equipment and transport installations.

Such a commodity structure of East-West trade continues to be a reflection of the traditional structure shaped in relation to the international division of labour between the countries of western and eastern Europe in the past when the socialist countries of eastern Europe were still countries producing raw materials and agricultural products, or agricultural-industrial

countries. But this structure does not comply with the industrial standards achieved at present by East European countries.

It can be safely stated that the traditional structure of mutual trade between East and West cannot constitute a basis for dynamic growth of mutual East-West turnovers in the future. This results from trends observed both in West and East European countries.

First of all, exports of raw materials and fuels to West European countries can be increased at a rate similar to the general pace of growth of raw materials import in these countries, i.e. taking into account the experience of the last decade - at an average of 6% annually. At the same time, it is necessary to take into consideration the fact that the rapid industrial growth of socialist countries requires and will continue to require that raw materials and fuels be supplied to the local developing industrial production. The situation is still more difficult in the group of agricultural and food articles. In West European countries the elasticity of demand for these articles according to the income bracket is relatively low and demand grows at a relatively slow rate compared to the growth of incomes. Simultaneously, in connection with the trend at net self-sufficiency in agricultural production developed in a moderate climate, the overwhelming part of imported articles comes from other West-European countries. In some fields, West European countries have already attained self-sufficiency and they even have considerable surpluses of agricultural produce. This causes that the socialist countries of eastern Europe have difficulties in selling many traditional agricultural and food export products such as for example: pork meat, poultry, eggs, butter, etc.

At the same time, the relatively slow growth of agricultural production in socialist countries and the relatively high local demand for food /because of the lower income per capita and different consumption pattern/ are accompanied by a process of absorbing part of the traditionally exported agricultural and food items by the domestic market. This trend is intensified when the export of traditional agricultural and

food products is faced with difficulties in western countries. Therefore, a rapid growth of the export of socialist countries of eastern Europe to western Europe being an indispensable condition of rapid increase of import from western Europe, calls for a fundamental change of the commodity structure in East-West trade and so, for the elaboration of a new all-European international division of labour characterized by specialization in industrial production.

3. Development Trends of the All-European Industrial Division of Labour

The formation of an all-European international division of labour which would have an industrial character will undoubtedly be a complex process requiring a long period of time. It will call for the solution of a whole complex of problems, including mutual co-operation and specialization in the field of developing a power and fuel base and economy, co-operation and specialization in the development of the main industries based on jointly conducted work on prospecting and exploitation of basic raw materials deposits and, first and foremost, co-operation and specialization with respect to the various stages of the processing industry.

Co-operation and specialization in developing the power and fuel base and economy can cover both scientific and technological co-operation in new methods of prospecting and exploitation of power resources, and joint exploitation of new resources. It can also encompass work on more intensive utilization of the already existing resources and power sources, unification of the power systems in the two parts of Europe, expansion of the electric power transmission network and of the network of petroleum and gas pipelines with a view to allow both an exchange of energy surpluses in periods of temporary shortage and surplus, and a development of systematic export from countries which have constant surpluses of produced energy and power resources.

Co-operation and specialization in the main industrial branches could encompass prospecting and exploitation of basic materials, especially metal ores, as well as development of the metallurgical industry /iron and non-ferrous metals/ and specialization according to assortments in that industry. Similar possibilities of specialization occur also in the chemical industry. However, the most important possibilities of developing mutual specialization can be found in the engineering and electric engineering industries, the electric and electronic industries, shipbuilding, transport means and building and road engineering machinery. Socialist countries have attained in

these fields of industry a high level of development and have a large production potential at their disposal.

The extension and modernization of the existing potential on the basis of machinery and equipment imported from the West and development of specialized production of elements, units and sub-units for machinery and tools manufactured under the mutual co-production scheme on the basis of licences and technology of western countries may lead to a broad, mutually profitable specialization within individual industrial branches, and to a dynamic expansion of mutual turnovers.

We are attaching great importance to the problem of industrial co-production as we consider that it may constitute the basic way towards the formation of a new industrial division of labour in Europe and towards a change of the structure of turnovers in East-West trade. In recent years a growing interest in co-production agreements has been noted both in western and eastern countries. Industrial co-production facilitates access to one another's markets through a simplified and faster attenuation of import restrictions; it facilitates access to new technology, stimulates technological advance, facilitates a wider-scale development of production and contributes to a reduction of production costs and growth of production and export effectiveness.

The forms of development of industrial co-production in East-West relations can be very versatile - from very simple forms having the character of contracts for supplies of elements, units and sub-units- to very sophisticated forms encompassing co-operation on the markets of two countries and on those of third countries. In view of the initial character of East-West industrial co-operation and the need of testing various forms of the largest possible elasticity in this field.

Along with developing specialization and co-production in the heavy, engineering and electric engineering industries, we see important possibilities of specialization in the light industry, mostly in the textile, clothing and footwear industries. In these industrial branches, the socialist countries of eastern Europe /mainly Czechoslovakia, Poland,

Hungary/ have long-standing traditions, highly-skilled technical cadres and qualified cheaper manpower. In the light industry the differences in the development level compared to western countries are relatively smaller and it is possible for this industry quicker to adjust itself to the needs and requirements of foreign customers. However, in the majority of socialist countries these industries were relatively neglected and their development was retarded in connection with the concentration of efforts on the expansion of the heavy industry.

At present, the light industry is making up for the lost time, and rapidly reconstructed within the framework of East-West co-operation, on the basis of machinery and modern technology imported from western countries, it will be in a position considerably to increase its exports to western countries within a relatively short period of time.

The stress laid by socialist countries on the need to develop new trends and forms of mutual specialization in East-West economic relations does not mean that traditional export of agricultural and food products to western Europe will be discontinued. As we have already pointed out, the process of forming a new structure of labour division in East-West relations will be a long one. It can be easily shown on the basis of the existing facts that the traditional agricultural and food export will continue to play, for a long time still- a very essential role in East-West trade. What is more, it seems that there appear possibilities of developing a more rational specialization in farming production and agricultural and food exports between the countries of eastern and western Europe. The present situation is basically different from the situation which existed in European agriculture 20 years ago. The policy of intensive development of agricultural production conducted in the West has resulted in large surpluses of certain farming products, and - account taken of the system of subsidizing agricultural production - to serious strains on the finances of farms in individual countries. The countries of eastern Europe have been largely transformed from exporters into importers. Therefore, it seems that co-operation and specialization in farming production would be possible on a

European scale. The latter would allow to make much better use of the specific natural conditions of the various countries and regions of Europe. A form which might serve gradually to achieve such an all-European division of labour in the production and exports of agricultural products could be constituted by all-European commodity agreements for selected agricultural products. Such agreements would outline specialization trends, at the same time settling the problem of eastern and western Europe exporters' access to one another's markets. Also, the agreements would guarantee that part of the import needs of eastern and western Europe countries would be satisfied. Such agreements could also provide a basis for stabilization of prices within pre-established limits, and for maintaining these prices at a level profitable to exporters and importers.

Development of an all-European division of labour will call also for broad co-operation in the field of means of transport and communication. We have mentioned earlier in this paper the possibility of expanding the electric power transmission networks, petroleum and gas pipelines. In addition to that, a much more comprehensive co-operation than so far is needed in the field of traditional means of railway and road transport.

Depressing modernization of railway transport and the envisaged adoption by all European countries within the next few years of the system of modern, automatic draw-bars which will enable to achieve important economies of human labour and to considerably increase the standard of safety and speed of work, creates a basis for solving this problem within the joint programme of co-operation and co-production. The latter would allow to make the respective solutions more rational and uniform on an all-European scale and at the same time, would reduce the costs involved which are expected to be quite substantial. Other projects mature for joint realization include the building of a trans-European system of motorways which will promote wider utilization of road transport in East-West trade relations, and will serve a mass-scale development of tourism. The possibility is equally being envisaged to connect and make use of waterways to a larger extent than so far.

4. Conditions and Ways of Developing An All-European Industrial Division of Labour

The change of the export structure of the socialist countries of eastern Europe in trade with western countries, from a raw material-agricultural to an industrial structure will call, first and foremost for a strong effort on the part of the socialist countries themselves. The fact that the structure of socialist countries exports to western countries continues to be largely of a raw materials-agricultural character in spite of the basic change of the economic structure of these countries and achievement of a relatively high level of industrialization has been due, to some extent, to the excessively simplified understanding of the role of foreign trade and international specialization in the past during the period when industrialization programmes were established. For a too long time and too emphatically the policy of industrial development in socialist countries put stress on a comprehensive, insufficiently specialized development. For a long time, the role of rational international specialization has been underestimated and industrial development was dominated rather by anti-import production than by production specializing for export. The result being that the socialist countries of eastern Europe failed to develop early and extensively enough an export production adapted to the requirements and needs of foreign customers. Also, the technical standard of this production has been often too low, not complying with world standards. As a result, the prices obtained for exported products are lower than those obtained for similar articles by developed countries.

The socialist countries have been universally undertaking steps with the view of changing their policy of economic expansion. So as to accentuate the role of foreign trade. Ever more distinct and general emphasis is being laid at present on the need more rapidly to develop a more specialized export production, especially in those branches where individual countries have appropriate conditions and prospects of a faster achievement of high technical standards of production and where there are good export possibilities.

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Simultaneously, the changes being introduced for some time now in the systems of organization of the national economy, economic planning and management, and foreign trade in individual socialist countries should serve the realization of the new strategy of specialized development. They are expected to arouse greater interest on the part of direct manufacturers, i.e. industrial enterprises and amalgamations in the development of industrial co-operation with foreign countries, including the countries of western Europe. The traditional systems of organization, planning and management of the national economy did not stimulate any major interest in the development of industrial co-production both within the industries of individual countries and in relation to the industries of socialist and western countries. This was largely due to the isolation of industry from foreign markets /trade was conducted through the intermediary of specialized foreign trade companies/.

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17 The present changes in the organization of the national economy, planning and management of foreign trade should create better conditions for the development of industrial co-production. For they will enable direct contacts between industry and foreign markets and, at the same time, they will increase the interest of enterprises and industrial organizations in better economic effects of production both for the home market and for export. Industrial co-operation with abroad, being a form of raising the technical standard of production, increasing export and the scope of production and therefore of lowering production costs in industry, will exert influence on the financial results achieved by industrial enterprises as well as on the amount of wages and bonuses paid to workers and employees.

While laying stress on the need of making an important effort on our part, it must be emphasized that the change of the structure of exports from socialist countries to western Europe, the development of industrial co-production and the formation of a new, intra-European, industrial division of labour do not depend solely on the efforts made by the socialist countries.

OK This task cannot be considered as a one-sided adjustment of the socialist countries to the requirements of the western markets. Corresponding efforts are needed on the part of West-European countries at both at the level of governments and of industrial organizations. The western countries should accept the new structure of our exports and should undertake action on their part with a view to facilitate the change of structure, the development of specialization and co-production and the new pattern of the all-European division of labour. First and foremost the governments of western countries should speed up the process of exempting trade with socialist countries from quota restrictions, to grant to all these countries the Most Favoured Nation Clause and to adjust the customs duties imposed on articles imported from socialist countries to this clause. Besides, western countries should liberalize the so-called extratariff regulations and reduce the obstacles set to trade activities. Irrespective of the abolition of limitations and obstacles in East-West trade, the governments of western countries and the industrial organizations in the West should apply measures promoting the development of specialization and industrial co-operation with socialist countries in the form of various financial and credit facilities.

It seems that in abolishing restrictions in East-West trade and facilitating the development of industrial co-operation and of export from socialist countries to western markets, the western countries incur no risks. For should export from socialist to western countries grow, a similarly rapid growth would take place in imports from the West. The needs of socialist countries with respect to various articles to be imported from the West including: machinery and equipment, industrial semi-products and co-production units are very substantial. The present changes in strategy and trends of development in socialist countries will be an additional factor creating a high demand for machinery and equipment for industries specializing in export production. Simultaneously, the present stronger accent on light industry development

will create an extra demand for machinery and equipment for the development and modernization of the light industry, and the rapid growth of incomes and changed proportions in the distribution of the national income, tending at increasing the share of consumption, will also serve to promote demand for industrial consumer articles imported from the West.

5. Influence of Integration Processes in Europe on
East-West Trade

In connection with the development of regional economic integration in the countries of western and eastern Europe, the question arises whether the development of regional integrations will not hinder the expansion of East-West trade relations.

The trends at regional integration in western Europe and in the socialist countries of eastern Europe are mostly the result of the present development of productive forces, especially of modern trends of technological progress and industrial development.

A modern industrial development calls for a complex and co-ordinated expansion of many, complementary industrial branches both basic and processing ones /power industry, mining, metallurgy, engineering, electric, electronic, motor and chemical industries, etc./ which mutually constitute a sales market and a source of supply of industrial raw materials, materials for production, units and sub-units for machinery, parts and tools.

Simultaneously, the rapid technological advance and progressing automation of industrial production call for a broad-scale development of production. Only then, modern production methods based on the newest technological solutions and processes can be applied and be profitable in practice. The need of comprehensive developing many complementary branches on a wide-scale, requires very serious financial outlays for investments. Similarly, the need to ensure a sufficiently rapid technical advance makes it necessary to earmark huge sums for scientific studies.

Comprehensive and complex development of wide-scale industrial production must have a guaranteed, sufficiently large outlet. In the case of the countries of western and eastern Europe /with the exception of the U.S.S.R./ which are all medium-size or small countries, such a guarantee can

be ensured only by the development of a large, common market of neighbouring states, which would allow for specialization and co-production between integrating countries. It seems that the above factors require a regional integration both in western and eastern Europe. The countries of western Europe which have considerably outdistanced East European countries in terms of development standards, reached much earlier the stage of "maturity" to such economic integration and have entered the road of its realization 13 years ago. Socialist countries of eastern Europe have been co-operating since the first years after the end of the second world war and have achieved a considerable degree of mutual complementation in many fields. However, due among other things, to the lower level of their development, these countries have been faced with the need of a broader development of mutual specialization and intra-branch co-production as late as in the 60-ies. Nowadays, the need of mutual economic integration has been generally recognized in eastern Europe.

The objective economic and technological reasons which impose the need for economic integration are similar in West and East Europe. But the differences in socio-economic systems cause that the forms and mechanism of introducing integration into practice are basically different in the two groups of European countries. In western Europe the discussed target is achieved mainly through the action of market mechanisms and flow of capital. The activity of the government is chiefly aimed at ensuring co-ordination of the widely-conceived economic policy, at removing obstacles and creating various facilities for the development of trade and transfer of production factors between the countries covered by the integration programme.

In East European countries whose economy is based on central planning, economic integration is effected mostly by way of co-ordinating economic development programmes and concluding - on this basis - long-term economic agreements. At the same time, it is being strived in East European countries to broaden and make more flexible the forms of mutual economic co-operation, to base this co-operation on economic calculus and to make larger use of financial instruments.

On our part, differences of the mechanism and means of realization of the process of economic integration are no obstacle to the expansion of European trade, because the drive of the socialist countries of eastern Europe at mutual economic integration does not mean that they wish to be confined within one economic bloc. On the contrary, by developing mutual economic co-operation, the socialist countries are in favour of developing relations also with countries from outside the CMEA, including developed capitalist countries. First of all, let me mention the fact that the concept of bloc autarchy cannot be reconciled with the dynamic character of development in socialist countries. The rapid economic growth of CMEA member countries causes an equally rapid increase of their production and consumption needs. This in turn involves a high and rapid growth of the demand for production means /machines, semi-products, raw materials/ and consumption means. The production potential of socialist countries is growing simultaneously, production is becoming more differentiated and its technical standard grows. This opens larger possibilities of developing international specialization also with countries which are not members of CMEA.

To date experience of socialist countries has shown that the lack of appropriate international specialization weakens the pace of economic growth; it delays and hampers the increase of the technical standard of production and reduces the possibilities of meeting the needs of the population. At present, the socialist countries of eastern Europe are much better aware of the advantages which may be derived from international specialization as well as of the fact that the broader the scope of specialization, i.e. the larger the number of countries participating in it, the bigger these advantages. For this reason, socialist countries reject the concept of autarkical development within a single bloc, for this would constitute a repetition of the errors linked with autarkical development of individual countries in the 50-ies. In this connection it can be expected that the development of economic integration of the socialist countries of eastern Europe not only will not hamper but will accelerate the expansion of East-West trade. The only realistic basis of a

more rapid development of foreign trade in CMEA member countries is a developing and versatile production of a high technical standard.

In this connection, the development of modern, specialized export production, adjusted to the requirements of partners within CMEA and in western countries will be easier when based on mutual co-operation within the framework of a broad market of the socialist community. The development of specialization and industrial co-production with the countries of western Europe can be still more rapid if socialist countries will develop specialization and co-production among themselves. The latter countries will then constitute more attractive co-production partners for the West European industry.

At the same time, the development of economic integration in socialist countries should create conditions for a rapid pace of economic expansion and a rapid growth of the standards of living and consumption in eastern Europe. This will result in a rapidly growing demand and will open larger export prospects to the countries of western Europe.

Statistical data relative to the influence of economic integration in West European countries on East-West trade show that this trade has been developing so far at a much faster rate than with other groups of countries. However, following the introduction of the "common agricultural policy of EEC countries" and the trend towards self-sufficiency in this field, the export of a number of traditional items from eastern Europe has been restrained/ e.g. pork meat, poultry, eggs, butter/. If agricultural and food export from East to West European countries was not entirely discontinued this has been mainly due to the great efforts made by socialist countries in order to broaden and diversify the commodity structure of agricultural and food exports to western Europe.

At present the greatest apprehensions in relation to agricultural and food exports are linked with the extension of economic integration to Great Britain and possibly to a part of EFTA member countries.

These apprehensions are related to the fact that so far, Britain has constituted one of our main, traditional customers for agricultural and food products. The access of Britain and Denmark to the EEC may create - with the existing trend towards self-sufficiency within the EEC - very serious difficulties not only for further development but even for maintenance of the traditional agricultural and food export to East European countries. This in turn may have adverse implications for the general dynamism of East-West trade. Thus, it is necessary to find ways of attenuating the consequences of Britain's access to the EEC for the traditional export of East European countries, and to strive at a more rapid development of mutual trade between eastern and western Europe in the group of industrial commodities. The possibilities of developing such trade are quite considerable, and in case of mutual specialization and industrial co-operation, the turnover between EEC and CMEA member countries can grow at a rapid rate. This is illustrated by the very experience of the EEC where the development of intra-branch specialization of parts and elements for production is the prime factor of a very fast growth of mutual trade. To some extent, similar phenomena may occur in trade between EEC and CMEA. However, this calls for the removal of the existing difficulties and for the creation of conditions for promoting specialization and industrial co-operation in East-West relations.

Moreover, the development of the all-European infrastructure, especially that of the power economy, extension of the transport and communication network, development of mutual industrial co-operation and of scientific and technical co-operation will be linked with the need of jointly financing and crediting the undertaken investment projects. Co-operation in the field of credits can be developed, like so far, between the banks of individual socialist countries and corresponding financial institutions in western countries; or it may assume new forms of co-operation between the Investment Bank and the Bank for Economic Co-operation of Socialist Countries with corresponding financial institutions in western countries.

The number of possibilities is very large. There are not fully utilized yet; even the possibilities of mutual co-operation in this field have not been yet fully prospected.

The complex programme of further deepening and improvement of co-operation and development of socialist economic integration between CMEA member countries devotes much attention to the perfectioning of monetary-financial relations. The main line of activity is the trend towards consolidating the role of the common currency /called transfer rouble/, gradually ensuring full convertibility of this currency in mutual trade of member countries and, with time, making the transfer rouble convertible into convertible currencies of western countries. The respective decisions envisage introduction, within the next few years, of realistic, uniform exchange rates in CMEA member countries, due to facilitate a uniform and comparable calculation of the profitability of specialization and international exchange of CMEA member countries both in mutual trade relations and in turnovers with other countries of the world. This will have an essential importance also for the development of industrial co-operation with western countries. The thesis - formulated in a general way - on the need of improving the system of prices in mutual trade between CMEA member countries, and of bringing these prices closer to the level of world prices should serve the discussed purpose.

The outlined programme of improvement of the monetary-financial relations between CMEA member countries and the trend towards introducing with time convertibility of individual currencies into a common currency and other convertible currencies, will constitute an essential factor promoting the development of trade and economic co-operation with western countries.

It seems that monetary-financial co-operation between East and West can prove interesting also for western countries. At present, when the currency system of western countries is living through deep difficulties, mutual co-operation may contribute to work out in the future a more stable monetary system which would service the whole complex of trade and

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economic relations between all countries of the world.

Let me say in conclusion that the possibility now coming into view, of a much broader East-West economic co-operation and the possibility of establishing in the future of an all-European industrial division of labour should contribute to accelerate the economic development both of the socialist countries of eastern Europe and of western countries. In our opinion, it will also serve the development of economic relations with the remaining countries of the world and will contribute to a more rapid economic and social development of the world as a whole.