Outlook for Industrial East-West Cooperation

by Professor Dr Karl-Ernst Schenk, Hamburg *

The proportion of the foreign trade exchanges between the industrialized countries of the West and the CMEA states which is attributable to industrial cooperation does not so far exceed an estimated 5–10 p.c. Nevertheless it would be wrong to make light of this cooperation, for it is a manifestation of a new strategy in the competition between the systems and designed to bring about substantial structural changes in their foreign trade. Both these aspects are important for an assessment of future prospects and to be discussed here in some detail.

It needs emphasizing first of all that the attitudes of the two economically cooperating systems cannot be understood or explained if the question is regarded as purely economic. In fact these systems are locked in fierce political and military rivalry which is reflected on the economic plane by shifting patterns of competitive and cooperative behaviour.

Students of external economic relations are trying to elucidate the competitive attitudes by drawing on the model of substitution competition. The latter is seen as a process by means of which it is determined which producing countries (and producing plants) may, or may not, in the light of pertaining production and transport costs act as world market suppliers for each particular type of merchandise. The level of costs is seen as the major determinant of the trade flows, and measures designed to influence cost levels are according to this school the most important instrument for increasing exports and improving the international competitive position of a country or system.

The wide range of attitudes of western enterprises and eastern governments encountered in reality cannot be explained satisfactorily by reference to this schema. Applied to their attitudes to cooperation in particular such an attempt would play havoc with reality. New concepts of competition going beyond the substitution model must therefore probably be drawn upon to provide an explanation.

The inapplicability of the idea of substitution competition, which has the primary aim of lowering the costs, to the economic relations between East and West seems to be mainly due to two factors:

* Institute of Foreign Trade and the Economics of Overseas Countries, University of Hamburg.


2 The experience gained with the planning systems of the CMEA countries indicates clearly that costs are of minor importance in these systems as a target area and as an instrument in the planning process;

■ Substitution competition presupposes more than the existence of a fully operational market for goods: not only must the mobility of the goods and the classic production factors (labour and capital) be assured, but so must be the transmission of information about new technologies, markets and new products.

We maintain that there exist no suitable organisational forms or mechanisms for the transmission of this kind of information across the system frontiers. The following might be mentioned as exemplifying such mechanisms: efficient markets for foreign licences; direct foreign investments for purposes of transfer and direct management of technologies, products and marketing techniques; participation in foreign enterprises and international cooperation between enterprises in research and development, procurement, production and marketing. The cost levels do not come into play as a significant factor in the competition between different countries and systems until these forms operate so well that the information which is of crucial importance for economic growth is communicated without significant delay.

According to this thesis modern markets — including external markets — need a first-rate organisational infrastructure before they can function according to the textbook theory of external economic relations. What there exists so far in East-West relations in regard to such an infrastructure, with its manifold cooperative forms and...
participation and disposition rights for goods, information and resources, is rudimentary. The governments of the communist countries want its functions, especially as concerns the transmission of knowledge about new technologies, new products and markets, to be generated solely and exclusively through industrial cooperation.

Cooperation as a Strategy

This their intention may be regarded as an indication that the CMEA countries, the Soviet Union included, do not yet feel strong enough to take on the West in genuine economic competition and gain the ascendancy. It makes a great deal more sense to assume that they see themselves at present placed in a preliminary phase, namely the phase of availability competition with the West, in which it must be their aim to acquire the mentioned kinds of knowledge and capabilities.

If one looks back to the fifties, one notices that the hope to overtake the West on the economic plane was at that time much stronger and indeed dominant. It was almost an article of faith with party secretary Krushchev and his leadership team that the West had to be routed in economic competition for all the world to see and that it was perfectly feasible to do so in the foreseeable future. Economic competition, i.e. with the aim of achieving a definite economic success (to wit, a higher per-capita consumption) independently from others had been chosen as the instrument for a non-violent assumption of power all over the world.

The time was not yet ripe for such a strategy as has become clear since, and the strategy had to be altered in the light of deficiencies to which we shall refer briefly. Today it would be more correct to speak of a strategy in which the economic competition has had to cede its former role to the political-military sector. On economic cooperation now devolves the role of making new western technologies and products available to the East for its own use. The economic machinery of the Eastern Bloc countries is to be kept in motion and put into a higher gear in this way until the West has been decisively weakened in political conflicts (Middle East, Portugal) in which the superior military power of the Eastern Bloc acts as a guard against intervention by the West.

The failure of a strategy with stronger economic and competitive accents in the fifties may be said to have been one of "too extensive economic growth" — a growth in production not matching the additional expenditure of capital and manpower. This disproportion was due to inadequate technical progress. The communist governments, in correct assessment of the situation, now endeavour to curtail competition with the West selectively in the areas in which the purchase of licences and industrial cooperation with the West provide means of adopting new technologies. This involves a new pragmatic concept of competition in the economic sphere where conflicts are deliberately softened, while the modes of conduct in the political-ideological sphere may at the same time be aimed, as they evidently are, at deliberately aggravating conflicts.

One may speak of an economic competition with the object of obtaining from the West certain kinds of goods, technologies, information and resources (availabilities) which promote the growth of the economy of the system. The idea behind this strategy, whether stated in so many words or not, is that after a phase of successful availability competition it will be possible to embark upon a comprehensive substitution competition with the West, to wrest markets from the West and thus to seal its political as well as its economic doom.

Intrasytemic Prerequisites

Hence it must be clearly understood that the industrial cooperation is not undertaken for its own sake or in order to advance the living standards of the population in the countries of the Eastern Bloc but with the West as the target. If there are also positive repercussions on the standard of living in the own country insofar as the adoption of new technologies facilitates the urgently needed economies in capital spending and thus an increase in the consumption ratio, so much the better. But ultimately decisive for the future of East-West cooperation are the prospects of success for the political-economic strategy in its entirety and not solely the prospects of economic success. To judge the outlook for East-West cooperation, one has to take rather complex interrelations of a political as well as economic nature into consideration. Among the political aspects one would for instance have to assess, with regard to the internal and external conditions of the USSR and its partners, whether and for how long this strategy could be maintained and prove successful in the political-military sense. The answer depends in large measure upon the western re-

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5 On the concept of availabilities the distribution of which is considered here as the basis of explanation for external economic attitudes, cf. D. Lorenz, Dynamische Theorie der internationalen Arbeitsteilung (A Dynamic Theory of the International Division of Labour), Berlin 1967, p. 85 ff.