LAW AND CONTEMPORARY PROBLEMS

VOLUME 37 AUTUMN, 1972 NUMBER 4

FOREWORD

The current East-West trade pattern represents a new phase in the economic cooperation between what is frequently referred to as two world systems. Before World War II Soviet trade with Eastern Europe was negligible, as its trade went mostly to West Germany, France, Britain, and Italy. After the war, most of the Eastern European trade went East. An article in the Soviet *Foreign Trade Journal* in 1949 noted a shift in the general trade pattern of the socialist countries.[1] In 1951 something like sixty-five per cent of the foreign trade, Soviet Union included, was intra-Bloc directed. These developments were described as indicative of important changes in the economy of the countries concerned, and significant for the understanding of the world economic system as a whole. The world economy could no longer be considered as a single system, as countries of Eastern Europe, including the Soviet Union, had merged into an economic system separate from the rest of the world. It was alleged that socialist countries of Europe and Asia had become insulated from the distortions and economic crises affecting the world markets and that the general tendency within this group of countries was towards still greater economic integration.

The peak in this development was reached in 1951. In that year, for the first time expansion of the intra-Bloc trade was halted, and a reverse trend set in. An increasing proportion of the exports began to go West. The analysis of the foreign trade patterns for the period 1951-1970 published in the *Problems of Economics* in 1970, a periodical published in the Soviet Union, has demonstrated that as the years went by, a growing share of goods available for export in Eastern Europe went to the free world, and although in absolute figures Soviet and intra-Bloc trade continued to grow, the trade with the free world grew more rapidly.[2]

This development was due to important miscalculations in the program of economic reconstruction of Eastern European countries, which primarily was directed towards re-establishing the traditional industries. Furthermore, when long-term plans of industrial and social development were adopted, little attention was paid to the

[1] 1949 VNESHNIAIA TORGOVLIA No. 10, at 6. *Cf.* U.N. ECONOMIC COMMISSION FOR EUROPE, ECONOMIC SURVEY OF EUROPE SINCE THE WAR 216 (1953).

[2] Sorokin, *Mezhdunarodnoe Razelenie Truda—Vazhnii Faktor Ekonomicheskogo Rosta (International Division of Law—An Important Factor in Economic Growth)*, 1970 VOPROSY EKONOMIKI No. 2, at 112.

availability of raw materials—fuels and ores—required for producing steel, heavy machinery, and power, and no provision was made for their continued supply from the only country which had rich, though undeveloped, deposits of raw materials—the Soviet Union.

In effect, during the 1962 stock-taking in the Comecon, it was found that by its economic structure Eastern Europe was still oriented towards the West. A new policy was needed to develop the Soviet Bloc as a socialist economic system and thereby to tie Eastern European national economics to the Soviet giant. Its basic principle was the so-called distribution of economic roles according to the socialist division of labor. For a number of reasons, this plan failed in the long run. Eastern Europe began developing increased contacts with the industrial West and Japan, seeking credits and technical and scientific assistance, in order to develop new oil and gas deposits, as well as its automotive and chemical industries.

In Yugoslavia, Rumania, and somewhat later in Poland and Hungary, business circles begin to experiment with new forms of economic cooperation with the free economy countries. In the beginning the usual form was industrial cooperation projects involving the joint manufacture of machines, tools, and motors, which were then made available to both socialist and free economy markets. Another form was construction of major industrial projects with the assistance of leading industrial enterprises in the West (Fiat, Firestone) which supplied machinery, blueprints, factory equipment, tools, and technical assistance training on a long-term credit basis, repayable in the form of finished products made in these industrial enterprises. The main asset which Eastern European countries had to offer was a cheap and strike-free labor force. A third form of economic cooperation further underscores the new attitude towards the West. Yugoslavia, later Rumania, and most recently Poland, have developed a new form of cooperation—the joint enterprise—in which a foreign investor may set up a company (usually a limited liability or joint stock firm) in partnership with an existing government corporation, on a fifty-fifty basis.

The latest demonstrations of the policy reorientation in the highest government and business circles in socialist Europe are the resolutions of the Comecon to work directly with the European Economic Community as an entity. The latest was adopted during the June 9, 1973, meeting in Prague.[3]

These developments raise important theoretical issues, many of which are dealt with in the reports contained in Parts I and II of this symposium. Viewed in the broadest perspective, the trends in Eastern European trading seem to indicate that the claim that there exists a socialist economic system is at best premature, and that the current tendency is towards a freer trade on a world-wide basis.

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November, 1973

[3] Pravda, Izvestia, June 9, 1973; The Times (London), July 9, 1973.