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V. NAZARENKO *

Integration of CMEA Countries in the Field of Agriculture

The rising and development of the world socialist system has brought into existence a new type of relationship between the countries where socialist society has been built or is shaping. These relationships are based on the principles of internationalism and dialectical unity of interests of the whole socialist system and every particular country of the social community.

For over a quarter of a century the Council for Mutual Economic Assistance has been playing successfully an organizing and coordinating role in cooperation with socialist countries in the field of economics, science and technology.

The CMEA was established in 1949 by the countries concerned. This organization, including its machinery, numerous economic establishments, and financial bodies, is not a superstructure. Its decisions are made at all levels by the interested countries and are not imposed from outside.

The general process of economic internationalization, typical of the present stage of social and economic development, has evoked a real necessity for economic integration of the countries included in the world socialist system. Socialist economic integration is a systematically regulated process of bringing together and mutual adaptation and optimization of national structures within the international economic complex, as well as establishing deep and stable relations in the leading branches of industry, science and technology. Internationalization of industry and economic integration obtains its full and complete development only under socialist conditions. The reason lies in the uniform economic basis of socialist countries, i.e., social property for means of production, the same type of State system (the power in the hands of people headed by the working class), and common ideology (the theory of scientific communism).

The accomplishment of socialist agra-reorganization in the majority of socialist countries, concentration and specialization of production and industrialization of its main branches have served as the base for the development of integration processes in the agriculture of CMEA countries. The large-scale socialist agricultural production clears the way for rationalization of

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reproductional ties between a number of economic branches and the establishment of national-economic agroindustrial complexes (AIC), linked by a common task of producing different kinds of final products from agricultural raw materials. The establishment of the national-economic AIC in CMEA countries has expanded the boundaries of economic integration which gradually involves the whole sphere of agra-industry, as far as internationalization of agriculture itself has very narrow limits.

Forms and types of CMEA countries' co-operation in the field of agriculture as well as integrational processes in the sphere of agra-industry have a number of peculiarities as compared with industrial production and other national economic complexes. These are as follows.

First, the development of integration in agriculture is more difficult than in industry, mainly because of its dependence on soil and climatic conditions and other factors which cannot be reproduced, as well as on seasonal possibilities of production which are different for different crops.

Second, the development of integration between the CMEA countries in this field suffered some difficulties for a long time, because of retarded agricultural development which was connected, to a great degree, with inability at a definite stage to allot sufficient investments and material resourses, to relatively low progress in agricultural machinery construction, chemical industry, and so on.

Nevertheless, co-operation between CMEA countries in the field of agriculture has started its development as far back as the end of the Forties. It was characterized, chiefly, by mutual help in agricultural products, seeds and farm machinery. It was necessitated by the need of rapid restoration of agricultural production which was badly damaged in a number of countries during the World War II. At that period the Soviet Union delivered to these countries grain, cotton and farm machinery in great amounts, despite the fact that our country itself had considerable difficulties connected with the post-war restoration of its economy. In the course of 1945–1955 alone the Soviet Union delivered to the CMEA countries over 100 thousand tractors of different types.

Establishing a Permanent Agricultural Commission within the CMEA framework has played an important role in expanding and deepening cooperation between the community countries. The Permanent Agricultural Commission's activity promotes, to a great extent, better organization and efficiency of bilateral and multilateral relations between the countries.

The main task of the CMEA Permanent Agricultural Commission lies, first of all, in furthering economic relations between the countries and rendering assistance in planning the development of agriculture and other AIC branches, deepening the international socialist share of labour, speeding up technical progress and increasing labour efficiency in the AIC branches, so as to meet most fully the needs of their population in high-quality food products and those of the industry in agricultural raw materials. The countries are represented in the CMEA Permanent Agricultural Commission by their leading agra-specialists. National Departments of the Commission are headed by the ministers of agriculture (in the majority of countries the ministers of

agriculture and food industry). Within the Commission there have been organized Permanent Working Groups of Experts whose task is to coordinate cooperation in some subdivisions of agriculture. The Permanent Agricultural Commission members come to their meetings twice a year and Working Groups, as a rule, once a year.

Cooperation in the field of science is of high importance for the development of agricultural production and allied industries in CMEA countries.

Joining the efforts of scientists from several countries has made it possible to decrease the time necessary for solving scientific or technical problems, and to obtain desirable results with smaller material and financial investments.

Scientific and research work in the field of agriculture is conducted according to coordinated plans on scientific and technological problems, which are adopted for every five-year period. From 1970 to 1975 alone, 26 large-scale problems and 86 topics have been worked out at 187 participating research institutions.

Cooperation on selected problems has been carried out according to comprehensive research programmes and is coordinated by agreements, treaties and other documents.

Up to the present time the CMEA countries have signed 6 special agreements on cooperation in conducting important researches in the field of agriculture, and two in the food industry. Specially organized coordinating centers have stepped in to work on the problems in the context of the agreements.

It is impossible to isolate a scientific area of cooperation from a productional sphere and this makes science a real productional force and necessitates its close relation with production.

Active assistance in farming intensification, increasing plant production, by all possible ways, is one of the major lines of cooperation in science and technology between the CMEA countries.

Joint efforts in research and practical work are of great importance. They are aimed at improving soil fertility, developing progressive techniques of growing the grain and improving its quality, organization of breeding work, seed production and new variety testing, exchange of high-yielding seeds.

Active introducing into production of high-yielding crop varieties and hybrids is being promoted by regulated systematic exchange of certified seeds in agreed volumes.

For the years 1971–1975 mutual deliveries of certified seeds and planting material of 78 crops were coordinated.

In 1973 an agreement was concluded on multilateral international specialization in producing certified seeds and planting material of the main farm crops.

International seed testing of promising varieties and hybrids of the main farm crops has been conducted since 1961 in the CMEA countries, and the best varieties have been recommended for the countries where they yield better than local ones. It is evident, from practical experience, that the use of varieties and hybrids, approved in international testing, results in harvesting on average 10–15% higher yields compared with the native standard ones.

Over 160 varieties of farm crops have been recommended for definite regions after international variety testing in the CMEA countries.

A number of varieties has obtained the most wide distribution, these are: Soviet varieties of winter wheat Bezostaya-1, Mironovskaya 808, Avrora and Kavkaz; Czechoslovak and GDR varieties of spring barley Waltizki and Alsa; Soviet varieties of sunflower Peredovik, Mayak, Smena; and GDR and Poland varieties of sugar beet and potatoes. The total area sown to crops of varieties and hybrids developed by the breeders from other CMEA countries exceeds 10 million ha.

Progress achieved in intensification of farming and other branches of agriculture is accounted for, to a great extent, by the level and rate of their 'chemicalisation', and in particular application of mineral fertilizers and chemical means of plant protection.

The CMEA countries have worked out and approved appropriate recommendations concerning rational methods and organization of applying fertilizers and chemical means of plant protection, as well as storage, transportation and application to the soil of liquid fertilizers.

Developing and employing in 1973 a Prospect Programme of cooperation in the field of manufacturing mineral fertilizers, chemicals and mineral feed additives has led to great practical results in agriculture. The Prospect Programme includes the total need of the member countries in the means of agriculture chemization for the period till 1985, with consideration for their assortment, methods of improving physical and chemical properties of fertilizers, procedure and organization of international testing of chemicals and some other problems. The Programme involves also the measures for specialized manufacture of selected chemicals in certain countries, the volume of output, formulation and standardisation questions. An ever growing role in carrying out the Prospect Programme is played by an international economic organization "Interchim", functioning within the CMEA framework. Its activity is concentrated on coordination of specialized and cooperative production within the social community.

The CMEA countries consider of great importance their cooperation for mechanization and electrification of agriculture, which is eventually aimed at the development and further improvement of material and technical basis of agriculture. One may identify considerable success in this field during the recent years. Technical implementation of labour in agriculture is growing rapidly, tractors and other farm machinery are manufactured in greater quantities and of better quality. Mechanization and, in some parts, automation of labour-consuming processes finds its wider application in plant growing and livestock husbandry.

Establishing large-scale animal farms and other enterprises, based on industrial methods of production, has started. Success of cooperative efforts, bent towards the improvement of agricultural mechanization, has enabled the CMEA countries in 1961 to start developing the International Machinery System (IMS) for complex mechanization, in the near future, of agricultural production and forest husbandry.

The development of IMS and its improvement is carried out with

consideration of world achievements and successful practice of the CMEA countries in this field, and forecasting investigations as well.

A new improved International Machinery System for complex mechanization of agriculture and forest husbandry was approved in 1971. It includes over 700 models and 1750 pattern dimensions of engineering, the manufacturing and supply of which are of interest to the community countries.

The IMS has a task of promoting the implementation of cooperative measures for the planned manufacturing definite machines, coordination of research work, cooperation in building tractors and basic agricultural and forest machinery, as well as unification and standardization of agricultural and transport machinery. The Agreement involves 9 models of tractors, 61 types of basic agricultural machinery and a complex technological line.

Within the framework of CMEA there is functioning an international economic organization "Agromash", which is coordinating the community countries' efforts in the field of agricultural engineering, i.e., research, developing, designing and specialized manufacturing definite types of agricultural machinery. Analyzing the process of the community countries' cooperation, one will find that its development proceeds from simple to more complicated forms, from mutual assistance and exchange of scientific and technical documentation to interstate specialization and establishing international economic organizations. The present-day stage of cooperation between the CMEA member-countries may be definitely called an international agro-industrial integration.

Working out the guidelines for the development of social integration has found its final expression in a Comprehensive Programme of further deepening and perfecting the cooperation and development of socialist economic integration of the CMEA countries, which was approved at the XXV-th CMEA session in 1971. The Comprehensive Programme for economic integration between CMEA countries is a manifestation of a deep process of the fraternal countries' coordinated efforts at all stages of material production, beginning from forecasting to cooperation in producing and marketing the commodities.

Socialist integration is accepted by all the CMEA countries as a main long-term course of their economic policy.

Further successful development of agriculture and other AIC branches depends, to a great extent, on correct solutions of agrar and economic problems. It is no chance, therefore, that they occupy an important place in the Comprehensive Programme.

Problems of cooperative planning are of particular importance to further improvement of the economic mechanism of international agro-industrial integration.

Planning instruments of the international agro-industrial integration include the coordination of Five-Year Plans for National Economic Development, as well as Development Plans for separate economic branches and industries for the periods of 10–15 or more years, the forecasting of AIC branches development, the cooperative planning of separate branches and industries, and sharing the experience in planning.

Coordination of Five-Year Plans of National Economic Development involves direct or indirect preconcerting the development of all branches included in the AIC. Such scope of planning is sufficient for accomplishing the majority of economic tasks faced by the AIC branches. However, in a number of cases it may be insufficient for separate industries or enterprises. These branches become an object of coordinating the long-term development plans, designed for 10–15 years. The first coordination for the five-year plan period from 1960 to 1965 took place in 1958–1959. Later on such coordinations were conducted in the period of drawing up every subsequent five-year plan.

Great attention is given to the prognosis of agriculture and other AIC branches development. Presently all the CMEA countries have elaborated, according to a coordinated programme, the prognosis of growth of the demand, production and marketing different kinds of products, as well as agricultural and food industry branches, including the development of their material and technical basis, till 1985. Elaboration of a summary projection till the years 1990 and 2000 is in progress.

Quantitative indices of development in agriculture and other AIC branches, derived from projections, are used in cooperatively working out another important problem, fixed in the Comprehensive Programme, i.e., study of conditions and potentials for deeper specialization and implementation of other forms of international social sharing the labour in coordinated branches of agriculture and processing industry.

CMEA countries have been studying the possibilities for joint planning by the interested countries, the growth of production of definite kinds of agricultural produce and means of production used in agriculture. The object of joint planning is cooperation in production, technology, trade and economics, which is accomplished as a set of selected measures and is aimed at solving a definite economic problem.

The idea of joint planning lies in the change from trade relations which are by their nature unstable and incomprehensible to integrational ties between producers and consumers. This form of cooperation is of primary importance to setting up and deepening the international socialist agro-intustrial integration of CMEA countries.

DISCUSSION OPENING – W. J. Anderson, *Canada*

The papers by Dr. Kleer and Dr. Nazarenko both make some points about differences in capitalist and socialist systems. Kleer identifies two ways in which integration under the two systems differ. One factor is the social ownership of resources which means that resource combinations are determined at the macro-level. This, he says, gives a different result than the aggregate of individual decisions when the means of production are privately owned. The second factor is the time horizon, which is longer for society than it is for an individual. Kleer argues that this difference leads to maximization in the longer run in the case of socialist societies and to improved performance

because (i) economic surplus is more readily transferred to optimum use without social tensions and (ii) relationships between social and economic activities are more direct.

I would say that Kleer greatly under-rates the effectiveness of incentives and taxes which capitalist societies use to transfer economic surpluses to increase the social benefit. While the relationship between social and economic decisions may be more direct in a socialist system, the capitalist countries are fully conscious of the need to guide private economic decisions with the view to maximizing net social benefits.

The papers emphasize that integration between countries is a systematically regulated process in socialist countries. In market economies, the integration process is much less specific and is designed to provide guidelines in the form of incentives or disincentives to decision-makers. However, both socialist and market systems agree that the exchange of goods and the transfer of technology are mutually beneficial for the participants. However, countries in the market system would disagree with Nazarenko's statement that "internationalization of industry and economic internationalization obtains its full and complete development only under socialist conditions, i.e. social property, power in the hands of the working class and scientific communism".

With respect to the mechanism, Kleer distinguishes between the concept of integration as state and as a process. He argues for the latter concept because integration is a dynamic and iterative process. He lists six main benefits. These are a well thought out list of social and economic benefits from integration.

In carrying out the integration process, Kleer says that there are two main mechanisms. One is the planning mechanism for the integration of national plans which provides for agreements on trade, location of major plants and exchange of scientific and technical information. The other is the money market mechanism which is the process of pricing the products which are exchanged and valuing the local currencies in relation to each other.

In practise, it seems that integration in the context of CMEA emphasizes two dimensions of the benefits which are sought:

(i) transfer of technical knowledge and cooperation in research and development;
(ii) trading commodities under agreements in which prices and quantities are specified.

My impression from the papers is that integration in the area of technological development is well advanced and that the benefits are of considerable magnitude. Exchange of scientific personnel and cost sharing of large scale expensive research projects also takes place. This I can see as particularly beneficial to the low income countries in the group, which must benefit greatly from access to new technology and scientific advancements. Nazarenko points out that technological transfer in the case of agriculture is more difficult than for many other industries because the basic resource, land and climate, varies greatly from one region to another.

I am also impressed by the steps taken to achieve economies of scale in the manufacture and distribution of farm inputs. Nazarenko mentions the manu-

facture of fertilizers, chemicals and farm machinery as international ventures which attain the benefits of large volumes of output and standardized products. This is also consistent with the principle of obtaining real economic benefits from raising the production function and lowering the costs of inputs.

Under the money market mechanism, Kleer points out that the formation of a proper price system remains one of the most important tasks in economic integration. I can well understand that to be the case because pricing as now carried out appears to be a complex and arbitrary process. For example, CMEA issues a special transfer rouble which is used only for payments in the case of commodities exchanged under bilateral agreements. For exchanges outside these agreements, another currency is used.

Internal prices for the same commodity are not the same as those for which the commodity is traded internationally. I would be interested to know if internal prices are lower or higher than export prices. I suspect that much of the benefit of international economic integration is not being realized due to the very complex pricing system. Such a system must impose the effect of a complex system of taxes and subsidies which probably cancel out much of the benefits of trade arising from exploiting comparative advantage between regions of CMEA.

Kleer concludes with four points on the economic position of agriculture backed up by some statistics. The first is that agriculture's share in the national income in each country is declining. This decline would be expected under conditions of growth in real income per capita. Second, agricultural employment as a share of total employment is declining but remains larger than agriculture's share of the national income. This indicates that labour returns in agriculture are persistently below those of non-agriculture employment. Third, the area as a whole is a net importer of agricultural products. Fourth, the share of agricultural products in trade between the CMEA countries is declining. The evidence therefore seems to be that the terms of trade which emerge from the pricing system CMEA are unfavourable to agriculture and discourage its development. I suspect therefore, that the benefits of economic integration as it operates accrue mostly to those countries which exchange the products of secondary industries for agricultural commodities.

In conclusion, I note the absence to any reference to achieving integration by facilitating the transfer of factors of production, particularly labor. Labor transfer is one of the most effective means of increasing national income and providing more equitable distribution of income among people. I would be interested to know why resource transfers do not play a larger part in the integration policies of Comecon.

DISCUSSION OPENING – A. Kiss, *Hungary*

It is quite sure that the national economies and the agriculture of the CMEA member countries without the co-operation described by Dr Nazarenko and Dr Kleer could not have achieved the pace of development and level of the present day. The importance of this co-operation is well exemplified by the situation of a country like Hungary.

The economy of Hungary is characterized by being poor in raw materials, thus the basic materials and energy necessary to production, as well as machinery investments, come in the main, from imports. Consequently, a great part of the national income is realized through foreign trade; the national economy of Hungary is open. The conditions of agricultural production can be characterized as favourable. 90% of the demands of the country's population are covered by its own agricultural production and 10% is the volume of food which cannot be produced in the country (mainly citrus fruits and tropical produce). More than 10% of the food produced is exported. The share of agriculture in the exports is higher than in production, approx. a quarter of the country's exports consists of food and manufactured food products.

It is quite natural that, under such circumstances, the foreign market is important to Hungary not only as a source of purchases but also as a receiving market. The majority of our exports is to CMEA countries and great advantages of this economic co-operation are stability, security, and being protected against crises over the sale of agricultural products. There is a high turnover with the developed capitalist countries in Europe, especially with the member countries of the Common Market which are our traditional trade partners, but very often great uncertainties in the sale of agricultural products. A good example for this has lately been the restriction of imports of cattle. Since recently the prices in the exchange among the CMEA countries have also changed, the effect of this is, however, lessened.

The other question I would like to discuss, is the future of agricultural co-operation among the CMEA countries. As a result of developments so far, this co-operation has become a basic element in the development of the agriculture of the CMEA countries, representing an important increase of own resources. As it has been pointed out in the papers, the level of technology in the agriculture of the socialist countries has considerably increased, the utilization of materials and assets of industrial origin are becoming more and more important and the use of industry-like production systems (animal breeding and plant cultivation) becomes more wide-spread. All this means that, the increase of efficiency is of high priority. I think Dr. Kleer is right in stating that these circumstances result in increasing development of the co-operation in other branches in contact with agriculture (engineering industry, chemical industry, scientific research, etc.) than in the co-operation in the field of agricultural production itself. since these branches facilitate the growth of efficiency in the field crop cultivation and animal breeding. A basic precondition for the systematic solution of these questions is the co-ordination of the 5 year and long-term co-operation plans.

In conclusion, may I also emphasize that the co-operation in the field of scientific research should be increased; it has to maintain close relation with practice, as it was stated by Dr. Nazarenko. There remains much to be done in this field so that by rendering the relation between research and practice closer and fruitful, the possibilities of mutual co-operation could be more effectively utilized.

RAPPORTEUR'S REPORT – S. Krašovec, *Yugoslavia*

A great part of the general discussion was concentrated on the theory and mechanism of the division of labour within the COMECON. It was emphasised that the main emphasis of COMECIB is not only in the agricultural sector but also in the secondary sector, part of which produces inputs for agricultural production. Questions about the decision process within COMECON were concerned with the underlying goals and criteria for labour division, and also whether a solution is reached by a compromise on the basis of political and economic power, or by the comparison of production costs in different areas. The answer was that there is no supranational body (such as in the Common Market) but the decisions are achieved by consensus of all member countries. What makes this consensus easier is the fact that they have the same ideology, the same political system, philosophy, vocabulary, and last, but not least, often very good personal relationships. All decisions are made on the consensus level – nothing is ever decided against the voice of any country; similarly a decision does not apply to any country which has not joined in voting for it. Each country has its sovereignty and the same weight in voting. It was finally indicated that a lot of research and discussion is underway to develop a theory of division of labour for centrally planned economies which might be based on the concept of production cost – including labour – in different regions.

To the question why the world market is taken as a basis for pricing the transfer of goods within the COMECON, it was answered that COMECON is not on the moon; it is a part of the world market, (and so also is each individual member country) and is to some extent affected and influenced by the world market. So a country may be free to sell produce either to another member country or to a Common Market country if a better price can be got there. The price stability within the COMECON countries was their major advantage in trade. There was discussion on whether or not social ownership of means of production is the real reason for emphasising the long-run instead of the short-run aspects of integration, and that it makes the transfer of surplusses from one subsector to the other easier. It was agreed that the transfer of labour could be a major problem and some conflicts and problems arising from the different level of development of different countries were recognised. Integration is still young, and research and efforts on different levels are being made towards perfecting it.