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TRADE

*for Peace and
Good Relations*



***for
Peace and
Good Relations***



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We in the Soviet Union have always regarded equal and free international trade not only as an effective means of satisfying the material interests of the parties involved but above all as a powerful factor in consolidating peace and good relations among nations.

LEONID BREZHNEV

Introduction

The Soviet Union is actively engaging in world trade and seeking in every way to develop economic, scientific and technological co-operation with other countries. The view in Moscow is that foreign business relations have a favourable influence on the national economy. This was aptly summed up by Leonid Brezhnev when he said: "A specific feature of our times is the growing utilization of the international division of labour for the development of each country, regardless of its wealth and economic level. Like other countries, we strive to use the advantages of foreign economic relations to utilize additional possibilities for the successful fulfilment of economic tasks and saving time, for enhancing production efficiency and speeding up scientific and technical progress."

The advantages the Soviet leader mentioned stem primarily from the fact that natural and economic conditions vary in different countries. There may be a surplus in one country of goods which its next-door neighbours are in dire need of.

It is now crystal clear that it does not pay any country to produce everything itself, no matter how big its resources and scientific and technological capabilities may be. It is much more advantageous

to obtain the products it needs through trade with other countries, through specialization and co-operation in production.

Calculations show that large-scale mass production needs a vast market of millions and sometimes even dozens of millions of consumers. But what is one to do if the domestic market demand for a costly product is limited? How can you combine such a low demand with the needs of large-scale production? The international division of labour and foreign trade help resolve this problem in a rational manner.

Foreign trade can benefit a country's entire economic life, the rates and directions of its development through trade and shifts in the relation between industrial capacities and the market, as well as between the marketable output of various industries.

What is very important is that these advantages of the international division of labour and foreign trade can help all partners only if the principles of equality and mutual benefit are observed.

The Soviet Union and other socialist countries have all along been pressing this point. They strive to develop international trade on the basis of the principles of the equality of all sides, non-interference in partners' internal affairs, and mutual benefit. Realistically-minded politicians, businessmen and a wide spectrum of public opinion in capitalist countries also support these principles.

"Any fool can do business at a loss," say successful businessmen. It may fairly be said that there are no such businessmen among the partners of Soviet foreign trade organizations. Thousands of

Western industrialists and traders are doing profitable business with Soviet firms. Many years of fruitful relations have helped shape the motto of USSR foreign trade: "fair terms and strict observance of contracts". Fairness and exactitude in everything, above all, in payments, ensure success for all those involved.

In the whole history of USSR trade relations there has never been a single instance of its foreign trade organizations failing to honour their commitments or proving insolvent. Nor could there be. This is a fact, and facts are stubborn things.

It might seem that all is clear and there is no need to say anything more about it. Unfortunately, this sensible approach is opposed by some reactionary politicians in Western countries. They are against expanding trade and economic relations with socialist countries. They want to conduct trade within the world capitalist system by trampling on the interests of the weaker countries and profiting at their expense.

These two opposing trends clashed as soon as the first socialist country emerged on the world scene. The clash has become even more acute in our time. This conflict manifests itself with particular force at UN forums and other international meetings, especially in discussing the demands of the developing countries to establish a "new and just economic order".

The Soviet Union regards foreign trade as an important branch of its national economy. This is very important. It means that Soviet foreign trade is not subject to the influence of fluctuating internal or external transient factors and is pursued with due regard for the long-term interests of the

country's general development. In practical terms it means that if relations with our partners are normal and of mutual benefit and commitments are honoured, we are going to continue to trade with them, expanding the list of export goods and diversifying our demand for imports.

But there is more to it than that. Soviet governmental bodies running the entire foreign trade of the USSR invariably display goodwill towards their partners. They are always prepared to search for ways of ensuring long-term mutual benefit. This means that they are far from seeking to obtain chance short-term benefits or revenues. What they want is to find a partner with whom they can do business on a long-term basis. Export earnings are spent on purchasing goods according to the same principle.

Incidentally, when a country, corporation or businessman wish to sell more to the Soviet Union, as often as not the question of payment is the problem. Well, the answer is simple: purchase more of the Soviet goods you need or promote such purchases. This will help you lay a solid foundation for additional sales which can be arranged at once.

Businessmen just starting trade and other economic dealings with the USSR would undoubtedly like to know the views of those who have been doing business with Soviet foreign trade agencies for a long time. I think it would be appropriate here to give the opinions of several respectable and trustworthy businessmen from the Federal Republic of Germany.

Here is a comment from R. Brickenstein, manager of the W. Brüggmann & Sohn company in Dortmund, founded in 1898. The company became a partner

of Exportles immediately after the establishment of this Soviet foreign trade organization. "We buy timber everywhere—in the Americas, Scandinavia and South-Eastern Asia," said Brickenstein. "However, Exportles is our main supplier. Thanks to the import of Russian timber, we've increased our production considerably. Our wood processing mill in Papenburg with a production area of about 150,000 square metres mainly works on Soviet raw materials, and we are never short of orders."

The desire to expand business relations with Exportles induced Brüggmann & Sohn and Luis Krages to set up a branch company, Russia Import GmbH, in 1970 for buying furniture from the USSR, which became a new Soviet line on the West German market.

"Customers in our country like Soviet furniture," said H. Marx, managing director of Russia Import. "So our list of orders is increasing. It took over 800 railway waggons to get Soviet tables, chairs, armchairs, garden furniture and whole furniture suites to our customers in 1978. Many pieces of furniture are made to customers' own drawings." There is another important aspect of the new firm's activities. They are promoting industrial co-operation between furniture manufacturers in both countries.

Deals on a compensation (buy-back) basis have been concluded with the Klöckner firm providing for Soviet deliveries of polyvinylchloride, methanol, vinylchloride, phthalic anhydride, and other products. Klöckner is taking part in building a PVC factory not far from Irkutsk. Here is what A. Koch, a representative of the firm, said in this connection: "We've already taken delivery of the first batch of

ready product and we've informed Sojuzchimexport of our willingness to take a new quantity of PVC. Our firm is prepared to double its purchases, and our contracts with Sojuzchimexport are proof of that."

"Gefachem, which is incorporated in the Bayer Concern, has been co-operating with Sojuzchimexport for 25 years," said F. Prehn, an official of the company. "We buy in the USSR practically everything that can be used on our market, primarily blue vitriol, antimony trioxide, pyridine, colophony, boric, citric and oxalic acids. There is a special department at Gefachem responsible for trade with Soviet organizations."

"When I'm asked what I think of Soviet perfumery, I answer that I'm not unbiassed because I'm a merchant dealing in these products," said A. Kalischewsky, head of A. Kalischewsky GmbH. "The opinion of international experts is far more important. And they've awarded Russian scents Grand Prix and gold medals at international exhibitions and salons in Belgium, France and Canada. Soviet perfumes were a sensation at the International Perfumery Congress in Baden-Baden in the autumn of 1978. Today they are distributed through more than 500 retail outlets throughout the FRG. I'm confident that for many people Russian perfumes will become a source of intense aesthetic delight just as, say, Russian furs or the Bolshoi Ballet."

These are comments from West German businessmen dealing with Soviet foreign trade organizations. All of them are favourable, and one might ask: "Are there no other remarks, critical remarks? Is everything really so good? Isn't it all too rosy?"

Well, of course, there are other remarks too. If we exclude the views of the ill-informed who don't know their trading partners well (we bear no grudge against them), we will see that the adverse comments come from those who would like to curtail East-West trade for political and other non-commercial considerations and to bring back the cold war. You must have read or heard about such things on more than one occasion. We would not like to waste space or time on them.

The point, however, is what is more important and objective. The great Lenin, founder of the Soviet state, had this to say on the subject: "In order to depict this objective position one must not take examples or isolated data (in view of the extreme complexity of the phenomena of social life it is always possible to select any number of examples or separate data to prove any proposition), but *all* the data on the *basis* of economic life."¹

So let us consider all the data on trade and economic relations between the Soviet Union (other socialist countries) and the West. They show that the Soviet Union's export and import trade with industrialized capitalist countries is steadily growing. It rose from 4,700 million roubles in 1970 to 31,600 million in 1980—or nearly sevenfold.

In the five years since the European Conference in Helsinki the Soviet Union has signed about 30 agreements and programmes on trade and economic co-operation with West European countries alone.

On the Soviet Union's initiative several inter-governmental commissions have been set up to draw industrialist circles more actively into East-West

¹ V. I. Lenin, *Collected Works*, Vol. 22, p. 190.

trade. These deal with economic, scientific and technological co-operation with practically all the industrialized capitalist countries, including West Germany, France, Italy, Finland, Britain, Austria, and Sweden as well as the US, Canada, Australia and Japan.

Another three Soviet banks have been set up in the West in recent years in addition to those already functioning there—the Moscow Narodny Bank in London, the Commercial Bank for Northern Europe in Paris, and the Voskhod Bank in Zurich. The new ones are the Ost-West Handelsbank AG in Frankfurt am Main, the Donau-Bank AG in Vienna, and the Banque uni Est-Ouest in Luxemburg.

In recent years Moscow offices have been opened by the French bank *Crédit Lyonnais, S.A.*, the West German *Dresdner Bank* and *Deutsche Bank*, and such US financial institutions as the *Bank of America*, the *Chase Manhattan Bank*, and the *First National City Bank*, to mention just a few.

Banks in Britain, France, Italy, the US, Japan and several other countries have concluded agreements with the *USSR Bank for Foreign Trade* on long-term, large-scale credits to finance the purchase of equipment and other goods for a term of 10 to 15 years. The *USSR Chamber of Commerce and Industry* has also substantially expanded and strengthened its business ties with the West.

Over 130 Western firms have offices in Moscow. Soviet foreign trade organizations, for their part, have set up about 50 trading firms in Western countries. Most of them are joint companies selling Soviet-made goods and engaged in servicing Soviet

cars, tractors and other machinery sold to those countries.

This is what all the data on the matter in hand has to say. But what is more important is that this is just the beginning. There are ample opportunities for expanding mutually beneficial trade and economic links further, and we shall discuss them in subsequent chapters.

I. Soviet Foreign Trade: Principles and Organization

To see how best one can establish business relations with Soviet foreign trade agencies within the shortest possible time, one should at least briefly familiarize oneself with the principles and organization of USSR foreign trade.

The USSR has a *state monopoly of foreign trade*. This is the key principle of its economic relations with other countries. The monopoly was introduced as far back as April 1918 by a decree of the Council of People's Commissars. It means that the country itself conducts foreign trade through governmental agencies set up for this purpose. The state decides what organizations and sectors of the economy can engage in foreign trade and on what scale. The state also decides on the list of goods and the volume of exports and imports.

This principle is formally expressed in the new USSR Constitution adopted in October 1977. It says that "the jurisdiction of the Union of Soviet Socialist Republics, as represented by its highest bodies of state authority and administration, shall cover... foreign trade and other forms of external economic activity on the basis of state monopoly" (Article 73).

Experience over many years shows that such an arrangement in no way impedes trade with countries which have no state monopoly or belong to other social and political systems. Moreover, the monopoly, in view of the centralized use of resources, offers ample opportunities for the productive development of business ties with any partner displaying goodwill and a desire for co-operation.

The second vital principle underlying the Soviet Union's economic relations with other countries is the *complete equality of both sides, non-interference in internal affairs, and mutual benefit*. This is the firm rule of the USSR's external relations and it remains committed to this principle all along. As Leonid Brezhnev pointed out at the ceremony at which he was presented with the International Golden Mercury Prize for Peace and Co-operation, "We in the Soviet Union have always regarded *equal and free* (my emphasis—V.A.) international trade not only as an effective means of satisfying the material interests of the parties involved but above all as a powerful factor in consolidating peace and good relations among nations."

Two bodies manage the USSR's foreign economic ties: the *Ministry of Foreign Trade* and the *State Committee for Foreign Economic Relations*.

The Committee deals with economic and technological co-operation with foreign countries, the supply of complete sets of industrial plant and other major economic development projects on the basis of inter-state agreements. Most of the payment for supplies goes through organizations of the Ministry of Foreign Trade. Naturally, the two bodies closely co-ordinate their activities.



Main entrance to the USSR Ministry of Foreign Trade in Smolenskaya-Sennaya Square, Moscow.