Foreign Trade and Soviet Economy
There appears to be no readily accessible and explicit statement with respect to the importance of foreign trade to the Soviet economy. While the western analysts of the Soviet Union has neglected Soviet foreign economic policy and has simply taken for granted that the Soviet Union is limited to the choice between importing and not importing foreign technology, Soviet official and academic treatment of the subject of foreign trade is, in comparison with the literature in other fields, both scanty in quantity and superficial in content. Serious analysis of the economics, as distinguished from the mechanics of foreign trade, is indeed, a phenomenon of the recent past. Experts western commentators¹ and Soviet writers² alike have noted this fact, together with the noticeable lack of professional economic sophistication displayed. It is not too much to say that Soviet economists have treated foreign trade as a stepchild. However, this attitude changed over the years and now, decided

early more technical and professional approach to questions of foreign trade has become widely acceptable.

For understanding some of the significant features of Soviet foreign trade, it will be appropriate to analyze the views held by Sovietologists since the beginning of the planning era right up to the 1980s.

The task of analyzing the organization as well as the functioning of the Soviet foreign trading system, which entails analysis of the broader economic system of which it is a part, is made difficult by the fact that earlier Soviet economic writings are intended for a Soviet, and often for an expert Soviet audience the readers are assumed to have knowledge that a foreigner can not have gained at first hand and may not have at all. Hence, Soviet economic writers do not necessarily, or usually explain changes in policies or circumstances. One has, therefore, always to consider whether and how conditions formerly prevailing have changed and if so, how much.

The amount of material on foreign trade published in the Soviet Union and the western countries before 1956 is very limited. Apart from a few statistics and some descriptions of the organization of the foreign trade industry, there is an almost total lack of discussion on the more important problems of planning foreign trade and deciding on the structures of imports and exports. 4 Glen Alden Smith, an expert on Soviet economy, notes a number of Soviet works published before 1935, but only five non statistical works on foreign trade since that year. 5 A Soviet writer deplores the lack of serious treatment of foreign trade and lists two dissertations and two monographs as the only serious recent Soviet works in the field. Standard Soviet text books on planning have no detailed treatment of the planning of foreign trade nor do they incorporate references to the use of foreign trade in the planning process. Standard works on all important supply - sales planning process are similarly


since the late 1960s the professional journals - Uneshnaya Torgovlya Voprosy Ekonomiki, Planovoya Khozyristvo have printed a number of articles on the effectiveness of foreign trade, but the sparseness of the general literature is on the whole unrelieved.

A brief statement of the conventional wisdom on the role of foreign trade in the Soviet economic system is that of Alan A. Brown and Egon Neuberger which is reproduced below:

The traditional view is that the centrally planned economy regard trade as a means of obtaining necessary imports, and that the level of trade is based primarily on the planners evaluation of imports necessary to fulfill the plans, while exports are adjusted to finance these imports.

One of the earliest western studies on Soviet foreign trade put it as under:

"In the Soviet economic system export trade is solely a means of paying for indispensable imports".


This study cited above further, explains in the following manner:

The main motives for the planners to engage in foreign trade under Stalinist model were to relieve bottlenecks in the balancing process, to import technology embodied in capital goods, or to short circuit the transformation of surplus into investment goods, rather than to increase GNP through the benefits of specialization and comparative advantage.9

The nationalization of foreign trade by the decree of April 22, 191810 can be seen in the following words of the leading Soviet economic historian of the period:

Very important from an economic and political point of view, it put into the hands of the Soviet state all foreign economic relations of the country with the capitalist world. From then on, the monopoly of foreign trade has been the unshakable basis for the economic relations of the Soviet Republic with the capitalist world.11

More explicit views on the subject date from the prin-

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principal pre-war work on foreign trade, "the basic task of Soviet importation is to use foreign goods, and first of all machinery, for the most rapid accomplishment of the plans of socialist construction, for industrialization and the technical reconstruction of the economy, for the technical-economic independence of the USSR".\textsuperscript{12} On the other side, "the basic task of Soviet exportation is to receive foreign exchange for paying costs of imports and to help accumulate foreign exchange reserves in the country".\textsuperscript{13} Further, "Since exporting secures payment for imports and imports have played in fulfilling the tasks of socialist construction an exceptional role, the gigantic economic-political importance of our export work is comprehensible\textsuperscript{14}".

A post Stalin study on East-West trade highlights the following features:

First, Soviet trade has been heavily oriented to the

\textsuperscript{12} D.D. Mishustin, "Meshnaya Torgovlya SSSR", Moscow, v/o Mezhdunarodnaya Kniga, 1941, p. 6.

\textsuperscript{13} ibid, p. 7.

\textsuperscript{14} ibid.
needs of the state in its industrialization drive .... Second, the USSR has attempted to minimize trade. It has followed a policy of autarchy or self-sufficiency. The policy of autarchy stems from the prior objective securing and maintaining military and economic independence from the capitalist world. Third, the Soviet planners are primarily interested in imports rather than exports. Foreign trade is conducted to obtain essential goods, which are either temporarily or permanently unavailable. Exports are viewed as a necessary evil - necessary to pay, for imports - and are limited to the value required for desired imports.\textsuperscript{15}

Holzman's introduction of the term autarchy opens up a range of enquiry related to another peripheral element in the received doctrine of Soviet foreign trade policy, namely the assertion that the USSR limits its trade to the minimum requirement. Both elements appear in the analysis of Soviet

Thus a cardinal aim of the USSR has been to limit relations with non-communist countries. In some degree this has been felt in order because of a concern to limit foreign trade generally, for such trade is not easily integrated with the system of central planning by which the USSR administers its economy. More basically, political and military considerations have also argued economic independence of the capitalist West. I refer to the famous policy of self-sufficiency that was pursued over a very long period by Stalin. It is still pursued by Khrushchev, although not as relentlessly as by Stalin. While seeking to limit trade with non-communist countries, the Soviet Government has not by any means wished to have it extinguished. Thus from its standpoint trade still has the merit that it permits the economic acquisition of supplies which because of resource limitations would be especially costly to produce domestically. It is also a device for alleviation of short run bottlenecks in the domestic economy for achieving rapid expansion of stocks of specialized machinery without investing more in plant to produce it than is required to meet replacement needs, and for the profitable disposition of short run surpluses, then too through imports of machinery exploitation of western technological innovation is much facilitated.16

It is evident from the statistics on Soviet trade since the death of Stalin, Soviet interest in foreign trade,

especially with capitalist countries had expanded enormously and become politically respectable. Soviet statements since 1953 reflect this change, but show a rationale for importing and exporting that is not fundamentally different in kind.

Thus one writer in 1964 remarks that "Soviet foreign trade in accordance with the plan of the development of the economy of the USSR helps solve problems of the further elevation of the socialist economy and the establishment of the material technical basis of communism in USSR".17 He is thus in the direct line of descant from Lenin's pronouncement in a resolution of the 4th party congress that "foreign trade must be completely subordinated to the needs of the economic plan".18. But now the emphasis, while still on the utility of importing, includes expansion of the trade. "It is clear that Soviet Union will in the future steadily develop commerce on mutually advantageous term with all


countries of the world. That means that it will increase its purchases of goods needed for the development of the economy of the country and satisfying the growing needs of the Soviet people. Writing for foreign consumption at some period in the mid sixties, Patolichov picked up the Leninist theme and expanded on it with reference to contemporary policy in a way which further illustrates the Soviet attitude to exporting and importing.

Soviet statements in the sixties increasingly included among the objectives of foreign trade two new considerations: on the import side, the desirability of importing consumer's goods, in sharp contrast to the stalinist doctrine and practice, appears as a major though not primary purpose; and on the export side, the technical and public relations gain from exporting capital goods receives attention along with, though by no means displacing, the more traditional objectives.

Soviet leaders, on their part, were aware of the political importance of international economic relations. In the early twenties Lenin clearly defined the role of state monopoly of foreign trade in the discussion carried on by the opponents of monopoly, particularly Bukharin: monopoly must safeguard these very points were Soviet trade bodies became divorced for special reasons— from classical trade. It must act as a protection against the material and political consequences to which a socialist country exposes itself when obliged to trade with capitalists. 

Recognizing that the creation of a socialist society was above all an economic problem, Trotsky, in 1925, vigorously took up on earlier view of Lenin's: Europe and Soviet Union need each other. In his capacity as the leading member of the supreme council of the National Economy he formulated a clearly defined economic strategy within which foreign trade had a precise role. He emphasized the question of resource utilization in an increasingly planned economy. In utilizing internal and external resources, Trotsky consid-

ered it to be rational to import complex and costly machinery but advocated a less rigidly protectionist policy and the spread of imported technology through the economy as a whole, without specially favoring heavy industry. Development criteria and strategy needed to be related to the relations with the world market. The role of foreign trade would be enlarged along with the process of industrialization. 21

So it is not so surprising that Trotsky vigorously attacked the "building of socialism in one country, (based wholly on) the idea of an isolated and self-centred economy" as well as Bukharin's slow and modest program. 22 In Trotsky's view, one should not confuse the danger of foreign intervention with the need to recognize one's objective dependence on the world market. Military strength depends on industrial strength to acquire this industrial strength is essential to have recourse to the resources to the world economy.

21. ibid, p. 13.

"If the interests of the USSR require a rapprochement with this or that country that does not desire to violate place then we will act without hesitation". 23 That was how Stalin spoke when he decided to trade with any country in order to maintain peace knowing that his country was not going to be able to escape indefinitely from Hitler's aggressiveness and that the Soviet Union was unprepared for this confrontation; Stalin nonetheless negotiated with him though he initiated war. The calculations on both sides were purely military - the Germans wanted to avoid a war on two fronts, the Soviets wanted to gain time, they both utilized commercial relations for their respective purposes. We then saw a attitude contrary to that of Lenin, who subordinated politics to end the blockade. In 1939 commercial relations appeared to derive from political alliances. Did Stalin consider trade as a factor for peace? He sought to utilize it to ensure his country's defense and survival. The commercial agreement between two powers was followed by non aggression pact four days later on September 18, 1955,  

Khrushchev spoke to a group of senators, "we value trade least for economic reasons as a means for promoting better relations between our countries".

A slightly different view is expressed by Leonard Brezhnev in his 1973 television address to the German people.

"I want to add that our plans are by no means plan calculated on autarchy. We are not bearing a course toward the isolation of our country from the outside world. On the contrary, we start from the position that the country will develop under conditions of growing, universal co-operation with the outside world, and trade with not only socialist countries, but also in significant degree with state of an opposing social system."

Also Brezhnev observed that in foreign economic relations, politics and economics, diplomacy and business, and industrial production and trade, were all interwoven in a single entity, and that their direction required a comprehensive approach.

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He, thus, made it clear that the Soviet Union's attitude to foreign trade was determined by a variety of different political and economic factors, both internal and external. At the same time, therefore, he raised the fundamental question of the importance of political considerations in Soviet foreign trade activities.

In the economic writing of late 1970s and 80s there is a substantial shift in treatment of the subject. There is clear cut emphasis on the increased role of foreign trade in Soviet economy.

**OPERATIONS AND MANAGEMENT OF FOREIGN TRADE:**

The Soviet Union retained, up to the early 1980s, the traditional centrally directed foreign trade system, which is characterized by state monopoly of foreign trade introduced in the USSR soon after the October revolution and further strengthened in the 1930s by the administration and economic separation of the domestic economy from foreign markets. This policy was designed to eliminate Soviet dependence on other countries for its economic development
and insulate the Soviet economy from the vagaries of free market world economic system. Foreign trade was largely seen as a necessary evil, regarded as a means to obtain necessary imports to fill in gaps left by their domestic economy while exports were adjusted to finance these imports. The level of trade was based primarily on the planners evaluation of the imports necessary to fulfill the plans and imports occupy the main focus of attention in the economy.

The administration of the foreign economic ties, like their implementation in practice, was as centralized as possible. In the NEP economy of the 1920s, State regulation of foreign trade was conducted by licensing foreign trade operation to enterprises, trusts, and other economic organizations which then conducted these operations by themselves. In the 1930s all the rights to foreign economic activity were taken away by the direct producers and handed over to the specialized foreign trade organizations that were directly subordinate to the newly formed foreign trade commis-
The cold war ended western embargoes at the beginning of the 1950s completing the trade isolation of Soviet Block. The policy of autarchy led not only to the abandonment of traditional markets, the successive long term developments - the creation of the economic structure with special emphasis on heavy industry and separation of domestic and foreign markets - was far important. The bulk of problems all CMEA countries have had to cope with originates from this period.

Trade increasingly concentrated on the internal need of the State in its industrialization drive. Not only the USSR, but also its East European allies attempted, to minimize foreign trade and follow a policy of autarchy. The prior objective was to secure and maintain military and economic independence from the capitalist world. Although the volume of trade increased rapidly, foreign trade was till recently conducted primarily in order to obtain essential goods which were either temporarily or permanently

unavailable from the domestic sources. Political considerations as well as a strong tendency towards bilateralism in trade have always played an important role too.

The ministry of Foreign Trade with Foreign Trade Organizations (FTOs) under its jurisdiction was handling the bulk of trade. In some specialized areas, for example, Banking, Foreign Aid, Tourism and Transport etc., the state monopoly rights were delegated to special state-owned institutions. 27 The ministry draws a foreign trade plan consisting the plan of imports and their distributions, the export plan, the plan of foreign exchange, the transport plan and the plan of FTOs incomes. The FTOs were organized mainly by product lines, but some also by geographical reasons and their responsibility was therefore often diffused. They were responsible for fulfilling the respective export/import plans and issue appropriate instructions to suppliers or consumers. The majority of plans were specified in physical terms, accompanied by a number of related indicators e.g. percentage increase of labour productivity and lowering of

costs etc.

Since the main purpose of monopoly of foreign trade was to insulate the domestic economy from external influences, a strong separation of domestic economy from external influences, a strong separation of domestic and foreign trade crisis was enforced by means of non-convertibility of the national currency and the artificial character of official exchange rate (even among the socialist economies convertibility is not permitted and so called "Transferable Rouble" is carefully separated from domestic transactions). The exchange rate served for purely accounting purposes at the FTO level. Domestic procedures delivered the planned amounts to export goods to FTOs likewise they "bought" centrally approved imports from FTOs. All transactions between FTOs and the domestic enterprises were settled at domestic prices. The price differences between the domestic and foreign market were equalized on special account between the FTOs and state budget. Although several incentives in the form of extra bonuses, retention quotas, etc. have been gradually introduced in order to make exports more attractive to domestic producers. The desired effect remained,
for various reasons largely negligible. The enterprises were bound by the planned indicators for production, supplies of raw materials and spare parts, and most of them regarded centrally prescribed export costs as a sort of punishment. 

This practice led not only to an almost complete separation of domestic producers from foreign markets, but it also reduced the incentives to export at enterprise level to considerable extent. Though the producers, in theory ought to be interested in exports - a complex system of plan indicators had been designed for this purpose - the often contradictory incentives could not outweigh the numerous difficulties facing enterprises which tried to meet generally more demanding condition of foreign markets. Moreover, in the whole system of plan incentive, export stimulation, played only a secondary role and the main target was still the production volume in physical terms.

In imports the FTOs were more often than not in monopoly position with respect to both foreign and domestic customers. They were able to use this position in order to effectively bid for low prices especially in trade with homogeneous producers or in purchase from sellers which are largely dependent on the huge market (see for example the recent Soviet grain purchase policies). On macro-economic level the foreign trade monopoly allowed an effective control of foreign exchange spending. Thus, there were both positive and negative aspect of foreign trade monopoly under the centrally planned economic system. But while the positive aspects prevailed in the early industrialization period, the adverse affects (among them mainly the lacking stimuli for technological change, irrational domestic cost and price structure etc.) became so evident that even traditionally conservative Soviet leadership decided to opt for change.

It seems logical to say that whereas the changes from War Communism to NEP and from the latter to the plan era were sharp, open, and dramatic the transition to the post-Stalin era has been a less clear cut break with the past.
It becomes clear that many of the central characteristics of the Stalinist system of operating the Soviet economy and the general outlined of Soviet foreign trading organization and operational methods, have remained essentially the same since the beginning of planning era.

**THE STRUCTURE OF SOVIET FOREIGN TRADE**

On the eve of perestroika, the Soviet Union had an backward and essentially colonial trade structure, in which exports were increased by enlarging shipments of food stuffs particularly grain. The dominance of exports by primary products made it vulnerable to the structural changes on the world market. The break up of commodity wise exports shows that over 80 percent of Soviet exports were fuel and raw materials. The share of manufactured goods, machinery and equipment in the export total slipped from 21.5 percent in 1970 to less than 14 percent in 1985. The share of manufactured consumer goods was 2.7 percent in 1970, 2.5 percent in 1980 and 2.2 percent in 1985. Almost similar figures were for semi-fabricates for textiles which were 3.4; 1.9 and 1.3 for the years 1970, 1980 and 1985 respectively.
Table 1

Commodity Structure of Exports of USSR for the Selected Years in %

<table>
<thead>
<tr>
<th></th>
<th>1970</th>
<th>1980</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery Equipment and means of Transportation</td>
<td>21.5</td>
<td>15.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Fuel and Energy</td>
<td>15.6</td>
<td>46.9</td>
<td>52.7</td>
</tr>
<tr>
<td>Ores and Concentrates</td>
<td>19.6</td>
<td>8.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Chemical Products</td>
<td>3.5</td>
<td>3.3</td>
<td>3.9</td>
</tr>
<tr>
<td>Wood pulp and Newsprint</td>
<td>6.5</td>
<td>4.1</td>
<td>3.0</td>
</tr>
<tr>
<td>Semi fabricates for Textiles</td>
<td>3.4</td>
<td>1.9</td>
<td>1.3</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>8.4</td>
<td>1.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Manufactured Consumer Goods</td>
<td>2.7</td>
<td>2.5</td>
<td>2.2</td>
</tr>
</tbody>
</table>


The imports have been, to a large extent, loaded with consumer products, machines equipment and means of transportation, foodstuffs and agricultural inputs to industry. The share of machinery, equipment and means of transportation in total imports was 36 percent in 1970, 34 percent in 1980, and 37 percent in 1985. For manufactured goods the share for
there years was 18, 12 and 12.6 percent, while the share of consumer goods for years had been 16, 24 and 21 percent respectively.

Table 2
Structure of Imports (in %)

<table>
<thead>
<tr>
<th>Items</th>
<th>1970</th>
<th>1980</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery, equipment and means of transportation</td>
<td>35.6</td>
<td>33.9</td>
<td>37.0</td>
</tr>
<tr>
<td>Fuel &amp; Energy</td>
<td>2.0</td>
<td>3.0</td>
<td>5.3</td>
</tr>
<tr>
<td>Ores &amp; concentrates</td>
<td>9.6</td>
<td>10.8</td>
<td>8.3</td>
</tr>
<tr>
<td>Chemical Products</td>
<td>5.7</td>
<td>5.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Wood pulp &amp; Newsprints</td>
<td>2.1</td>
<td>2.0</td>
<td>1.3</td>
</tr>
<tr>
<td>Semi Fabricates for Textiles</td>
<td>4.3</td>
<td>2.2</td>
<td>1.7</td>
</tr>
<tr>
<td>Consumer Goods</td>
<td>15.8</td>
<td>24.2</td>
<td>22.1</td>
</tr>
<tr>
<td>Manufactured Consumer Goods</td>
<td>18.3</td>
<td>12.1</td>
<td>12.6</td>
</tr>
</tbody>
</table>

Source: ibid, pp. 33-34.

In the early 1970s Soviet exports were mainly directed to East European socialist countries but that trend changed after 1976 and continued right up to 1985. In 1970, Soviet export to East European countries were more than 50 percent of total exports, and exports to western countries were less
than 25 percent. In 1976 Soviet exports to west had risen to around 41 percent while to East European countries this ratio had declined to 40 percent. In 1985 the Soviet exports to West were 40 percent and to the East European countries only 30 percent.

However, out of the total exports to the West, only 2 percent constituted machinery and equipment and only 0.23 percent in high tech goods. On the other hand, 80 percent of the income in the export of raw materials particularly gas and oil.

On the import front also the trend were similar to the export. In 1970, the share of East European countries in total Soviet imports was more than 50 percent which declined to 33 percent in 1976 and further to 30 percent in 1985. The share to Western countries for these years was 27 percent, 49 percent and 44 percent.

On the whole external trade had not contributed much to the development of Soviet economy which is reflected by the volume of imports and exports which did not correspond to the level of development of production. The level and nature
of Soviet trade also fell short of its industrial, scientific and technological potential. The Soviet Union which accounted 20 percent of world's industrial output in 1985, its share of world trade in that year had been nearly 4 percent. 29

The need for Reform:

Prominent Soviet Economists came out with a number of books and article on Soviet Economy on the eve of perestroika. One finds almost unanimous views criticizing the Soviet economy of the last four decade, and particularly of the mid eighties. Of course, one has reasons to question some of their estimates of the growth rate of the Soviet economy given by them for late 1970s and early 1980s. 30 For in-

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30. Element of prejudice for taking more credit in case perestroika had succeeded even partially. This view is also expressed in survey of Soviet economy in The Economist; April 9, 1988., p. 3.

Note : Here, the view expressed by A. Hewett is worth noting. "The more significant component is the fact that the General Secretary has said that they are in a "pre crisis" situation. This is still a society where everyone is pushing
stance, Mikhail Gorbachev's Chief Economic Advisor, Abel Aganbegyan while giving the estimates of the Soviet economy has expressed that there was virtually no growth in the Soviet Economy in the first half of the 1980s. He, further, points out that if the revenue from sales of vodka and oil export is taken out of the official national income statistics, the Soviet Union turns out to be a "No-growth economy" for almost two decades.

Without commenting much on the credibility of such estimates we present the points of view of Gorbachev and his team of reformers for the need of perestroika in foreign trade sector, based on their utterances at various forums, books and articles.

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continuation

a certain line. The line now is, there was a crisis, so even perfectly good economists are saying without thinking that, of course, there was a crisis". Further,

"The most important point is that the level of economic analysis in that society is low. Many Soviet economists do not necessarily do the analysis themselves. Rather they simply accept the very poorly documented work of economists such as Selyumin and Khanin because it confirms to their prejudices". Ed. A. Hewelt and others (ed.), Milestones in Glasnost and Perestroika, Washington, The Economy Brookings, 1991, p. 244.
The colonial structure of trade and its very low share in the economic development made it look like a developing economy. The poor quality of domestically made equipment, which is one of the root causes of structural backwardness of Soviet Foreign trade, also restricted the volume of machinery and equipment exports. It was noted at one of the session of the Supreme Soviet of the USSR that only 29 percent of serially produced machine building output met world standards, including in machine building 14 percent and instrument making 17 percent.31

Only 20 percent of the automobiles made in the USSR met the world quality standards in 1985, the rest had technical specifications that are not competitive on the world market and sold for 30-50 percent less than similar models made by Western Companies.32 According to one estimate, only 17 to 18 percent of manufactured goods were competitive on the


world market while some pessimistic estimates put the figure at only 7 to 8 percent for early 1980s. Around that time, Soviet authorities had started realizing that the magnitude, structure, and forms of Soviet Foreign trade and economic and technological relations were hardly consistent with the needs of the country and that the management mechanism of these relations had to be radically restructured in line with the changes in the whole economy.

On the macroeconomic level, some features of the previous system of planning were hardly justified. It put export allocations in a marginal, residual place within the material balances of the major products. Some times these allocations were delivered to the exporters with little attention to the seasonal fluctuation in external demands. Despite the priorities set in the plans, imports were some times diverted to other end users. However, the principal malfunction was centered in the microeconomic echelon where enterprises were operationally separated from the foreign market place and therefore had inadequate experience and stimuli to compete internationally.
Gorbachev believed that the trust form of competition would come from opening the Soviet economy to the outside world, and that the foreign trade is vital for the reforms both as a source of the advanced technology USSR needed and as a measure of whether its economic competition was increasing. Right after his election in March, 1985 as General Secretary of the CPSU, Mikhail Gorbachev declared, "We are against autarchya and for the development of international economic and scientific technological relations". The similar view was echoed by his Chief Economic Adviser, Abel Aganbegyan, "We wish to develop external trade with all countries, including the West and, as it was in the recent past, to have trade outstrip the growth of Soviet economy. The economy should become increasingly open and the proportion of external economic exchanges grow so that the Soviet share in world trade corresponds to its role in world production".

The need for developing external trade was increasingly emphasized by the Soviet reformers in their campaign for

perestroika. "when considering the problems of developing and increasing the cost effectiveness of exports and imports we assume it is advantageous for the USSR to develop its external trade". On Soviet Union's intentions to develop international economic relations, the same expert opined, "the USSR is to develop these relations for two main reasons. On the one hand, it improves the cost effectiveness of the economy, making use of the advantages of the international division of labour: on the other, for broader foreign policy reasons it helps strengthen trust between states and advance the cause of peace".

Well known Soviet economists, Nikolai Shmelev and Vladimir Popov also stressed upon the need for the foreign trade to be assigned an important role in the development of Soviet economy, in their recent book they have written: "the Soviet Union must become an active participant in world economic processes and a fulfledged member of the world economic community in order to make full use of the interna-

34. ibid, p. 147.
35. ibid.
tional division of labour and the integration of economic life". 36

Thus, it was realized that changes were required in the outlook and the priorities given to this much neglected sector of economy. There was a marked change in Soviet perception. On the role of foreign trade in the development of Soviet economy. Foreign trade came to be treated as an integral part of the overall economic reform campaign.