CONTRACTUAL FORMS FOR EAST-WEST INDUSTRIAL COOPERATION:

New Thinking in the East. ...and in the West?

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1. Introduction

New times demand new thinking. The changes occurring in the Soviet Union and the socialist community present us with an opportunity. The future of East-West economic relations depends in no small part upon whether or not the West is up to the challenges posed by these developments. The leadership of the Soviet Union and, I think, of the other socialist countries have analyzed the experience of the last two decades and drawn fundamentally new conclusions regarding a large variety of problems in the international arena, among them the forms of business and corporate financial relations which are possible and necessary between firms in socialist and capitalist nations. I want to begin this paper by outlining the logic of the 'new thinking' in the socialist states regarding the appropriate forms for business relations between East and West—in broad terms and with a specific reference to the experience of the industrial cooperation agreements that briefly flourished between East and West during the 1970's.

If I am successful in characterizing this logic, then the question will immediately pose itself, 'how do we in the West draw conclusions from the same historical period?' If there is sense in the logic leading the socialist community to the 'new thinking,' then an implicit challenge will exist for our own approach to the same problems. I am not at all convinced that we in the West have yet successfully addressed the identical set of historical experiences. I am not convinced that we are prepared to successfully engage as equal partners in the negotiations with the socialist community over the new forms of our economic relations. I will use the example of the industrial cooperation agreements that were popular in the 1970's and our own response to and analysis of them—among academic economists,
practicing businessmen and government policymakers—as an example of where we fall short and how we must adapt our thinking.

I think it is time for some ‘new thinking’ in the West. We must be an equal partner in giving leadership and guidance to the design of the forms of business relations between East and West. Only with a correct and honest assessment of the logic of the strategy of one’s partner in the negotiation, and with a critical examination of one’s own preconceptions and past mistakes can one expect to develop a successful strategy for the future and to implement that strategy in negotiation with one’s partner. I will outline what I consider to be the prejudices we need to overcome and where we need to focus our attention if we are to give some leadership and if we are to develop a reasonable strategy for negotiating the acceptable and stimulating contractual forms for industrial cooperation between East and West.

2. What’s New in the ‘New Thinking,’ or...

Reading History’s Judgement of Socialist Political Economy

What is the nature of the ‘new thinking’ in the Soviet Union? Is it a recognition of the failure of the socialist model, of national economic planning to successfully deliver the economic productivity comparable with that of a capitalist economy? Some variant of an affirmative answer to this question is the common view in the West:

‘If Gorbachev is to solve the Soviet Union’s economic shortcomings, he must impose on the country a structural economic reform—or, as he calls it, ‘a profound transformation in the economy’—that will set free the Soviet Union’s inventive, productive and investment spirits. The implications of such a far-reaching reform are potentially very disruptive. For a starter, most proposals involve the abandonment of central planning ... As Marx would have said, the central plan has become a fetter.’

I think that this is a fundamentally mistaken assessment of the direction of thinking which is spurring the changes in the approach of socialist countries to economic relations: it is too self-satisfied and it underestimates or completely ignores the positive experiences which the socialist countries have had with their choice of plan over market and socialism over capitalism.

The 'new thinking' is a much more complicated synthesis of both positive and negative experiences and lessons from the history of socialism; it represents a fundamental questioning of particular dogma that have been identified with socialism, but a questioning in terms of the essential theoretical framework of Marxism-Leninism and continued commitment to planning and socialism as opposites—or, in the Hegelian terminology, negations—of capitalism. The 'new thinking' is the result of the serious confrontation of the ideology of Marxism with the experiences of the last two decades. It is the frank recognition of both the successes and the failures of that period, and the resultant formulation of a fundamentally new strategic conception about the relationship of the socialist economies to each other and to the capitalist world. The successes have illuminated the underlying changes in the world to which the leadership had formerly been attuned. The successes have illuminated the features of the world which they had correctly assessed and to which their political and economic ideology was fundamentally in accord. The failures have called attention to the underlying changes in the world to which they were not correctly attuned or for which their previous strategies were not appropriate.

In concrete terms. In the assessment of the Communist Parties of the socialist states history has confirmed two key tenets of socialist political economy with regard to international economic relations: 1) the importance and value of economic planning to the general national welfare, and 2) the primacy of national economic independence for political self-determination and the importance of political self-determination for economic success. The socialist community of states has seen confirmed their basic commitment to planned economies. They have proven the workability of planning, its ability to successfully manage social and economic development in a manner which yields a broad improvement in economic well being and which avoids certain very tragic forms of economic and social crises and conflict, especially those associated with unemployment, uneven development, and social divisions in terms of race and class. The socialist community of states has also seen confirmed their basic commitment to the integrity, sovereignty and organic wholeness of their individual national economies and that of the socialist community as a unit. They long ago rejected the notion ever present in neoclassical economic analyses of international trade and development that the prospects of the individual nation are one with those of the profitability of the individual corporations which operate in various
industries and across national boundaries, and I do not think that they regret this departure. My own experience with socialist economists leaves me with the impression that while the particular interpretation or implementation of these two key principles is often hotly debated, the fundamental tenets are not widely questioned.

If these two principles represent the continuity in socialist political economy, then it is appropriate to ask, what is 'new' in the thinking of the socialist community?

First, and in the Marxist terminology of the socialist's themselves, the objective material conditions under which these two principles must be implemented have changed. Two key changes are present, although only one is readily and publicly admitted to by spokespersons in these countries: 1) technological development has made industrial production necessarily international in a qualitatively new sense, and 2) the relatively stable growth in the capitalist world since World War II and its extensive development of an effective international trade and financial structure combined with the relative failure of the socialist community to develop a competing form for a multilateral international economic system has guaranteed the operation of the international trading and financial system largely in a form not altogether different from the present capitalist system.

Second, and again in the terminology of the Marxists themselves, the subjective conditions have changed. Dogmatic Marxist rejection of various forms of economic relations and of key concepts developed under the hegemony of the neo-classical paradigm in the West have given way to a more sophisticated differentiation and analysis of these concepts. Marxists and Communist Parties have traditionally fought any attempt to identify the social problems of capitalism with personal, technological, and juridical features of capitalism and this has traditionally been a central distinguishing feature of Communists vis-a-vis other socialists and reformers of capitalism. However, since the Stalin era a dogmatic rejection of key economic forms and intellectual developments in the West became a hallmark of socialist economic theory in the existing socialist states. That is changing.² There remains

an assertion of the centrality of exploitation and of the essentially exploitive nature of 'capital,' but the identification of this with e.g. particular juridical forms of economic relations is once again being rejected by orthodox Marxist economists in socialist states. That applies now to economic relations between socialist and capitalist states as well.

Much of the dispute among western analysts regarding the likely direction and extent of the reforms revolves around each analyst's unstated position vis-a-vis the continued commitment of socialist policy makers to the two ideals—planning and national economic sovereignty—or an absolutization of this issue. Those westerners who pronounce elation or a hopefullness that the current reforms and 'new thinking' perhaps herald a recognition of the failures of socialism and the virtues of the market and that they portend large scale future movements toward market systems, fancy that policy makers do not maintain the serious commitment to these two principles which I claim exists. These analysts do not recognize that these principles are not only an element of the political orthodoxy of these states, not only something to which various political leaders and intellectuals continue to cling for obvious reasons of personal interest but are honestly maintained propositions; they do not recognize that these are principles which have been essentially confirmed in the eyes of socialist economists. When other western analysts pronounce their deep skepticism about the future direction and magnitude of the reforms, it is because they recognize that these fundamental tenets are not under question, but they themselves cannot conceive of qualitative change unless these tenets are challenged. They turn these two principles into everything and ignore the significance of the ideological developments which follow from a reassessment of old ideological dogmas within a framework that maintains a commitment to planning.

3. Compensation Agreements -- Lessons from the 1970's

East-West industrial cooperation was an exciting and important subject in the 1970's and any discussion of the current prospects for cooperation and trade is certain to look back to this period for lessons. One of the key new forms of economic relations between socialist and capitalist firms developed in the period of detente was the industrial compensation agreement in which the socialist
company would purchase from the western company large-scale capital equipment--whole plants and machinery--and the western company would agree to a long-term schedule of purchases of the products to be manufactured or processed with the equipment. An important feature of this form of industrial cooperation was its integrative character: a chain of production leading from raw materials to finished or intermediary goods, requiring planned and tightly coordinated production at each stage and not admitting of coordination arranged exclusively by market signals was organized with the coordination of production crossing the boundary between the socialist and capitalist worlds. Of course, de facto coordination of economic decisions arises when large scale purchases of raw materials, consumer goods, or light manufactures occur repeatedly between the socialist and the capitalist states. However, the character of cooperation and integration engendered by industrial compensation agreements is qualitatively higher than that engendered by simple repeated sales of the variety of goods that made up East-West trade prior to the late 1960's and the 1970's. It is qualitatively different precisely because it requires the long term organization of closely related and strategically significant industrial operations and economic variables across the boundary of East and West.\(^3\)

Industrial compensation agreements are an important case to study for a second reason. During the 1970's various socialist countries experimented with a variety of forms of economic cooperation with western firms and nations. Industrial compensation agreements were, however, perhaps the only new and significant form for financing and organizing large-scale industrial cooperation which was advocated by every socialist state. Moreover, the industrial compensation agreement was utilized as one component in the long-term strategic cooperative effort on the part of the CMEA countries to modernize and restructure their chemical industry.\(^4\) The industrial compensation agreement therefore had a degree of centrality, acceptance or institutionalization and significance which exceeded the various other forms with which all parties were experimenting in those years.


\(^4\) *East-West Trade in Chemicals*, OFCID, Paris, 1980
Compensation agreements are a peculiar form of contract. They do not conform to the traditional sale agreement of capital equipment in which the equipment is delivered and payment is made—presumably via traditional loan financing arrangements. In a compensation agreement the seller of the capital equipment has a long-term stake in the project; the seller of the capital equipment is obligated to purchase and somehow market a portion of the products manufactured at the new factory. But a compensation agreement is not a direct equity investment either. In a direct equity investment the supplier of the capital equipment would have a stake in making sure that the plant operated efficiently and they would earn the corresponding profit or loss according to how well they operated the plant and how well the products sold. In a compensation agreement the operator of the plant, the socialist firm, bears the full costs of operations—of inefficient and of efficient operations—and they earn the profits.

In the field of corporate finance and investment banking, a compensation agreement is one of a wide range of special or peculiar project financing arrangements which are sometimes referred to with the label 'left-handed financing'.

'Peculiar' is not meant, however, to be perjorative. In this case it might be best to reword the description and say that a compensation contract is 'custom tailored'. It is the right form of financing package for the right situation. There are a variety of situations, a variety of market environments, in which certain market imperfections require the use of such custom tailored packages in order to assure that all of the parties face the necessary incentives for efficiency. One problem, well known to economists under the label "the lemons problem," arises when the seller of the plant and equipment has superior information regarding the quality and/or future value of the commodity to be produced from the plant. When this is the case, the seller of the plant and equipment is willing to enter into the commitment to purchase a large quantity of the products manufactured at the plant as a demonstration of their claim that the delivered equipment will produce high quality or highly valued products. The buyer of the plant and equipment can prudently accede to paying a high price for the plant and equipment, whereas had the seller demanded the more traditional sale contract the buyer would have demanded a discount on the basis of the suppliers lack of willingness to stand behind their product.

The compensation agreement then provides advantages to both sides: the buyer receives high quality
plant and equipment and the seller receives a higher price for their equipment corresponding to its quality. Several other similar situations can arise which would warrant the use of a compensation contract in preference to any other form of financing. The importance of these considerations have been repeatedly documented.  

3.1 The Socialist Conception of Compensation Agreements

How did socialist economists view compensation contracts? Why were compensation contracts, in particular, considered an acceptable form for cooperation while other forms of contracts and financing were not widely accepted? What does the socialist conception of compensation contracts tell us about the likely future openness of socialist economists, businesspersons and policymakers to alternative forms of arranging cooperative ventures?

Most western accounts of the socialist countries’ use of countertrade policies in general and compensation agreements in particular assert that these policies conform with the emphasis in socialist countries on ‘planned’ industrial production and long-term ‘planning’ of supply and demand, that these policies are a consequence of the failure of the companies in socialist states to be prepared to be flexible in the market, to accept the rigors of ‘true’ supply and demand for the products to be manufactured with the capital goods that they buy as it unfolds over the lifetime of the equipment. These assertions are generally meant to argue that this ‘incorrect’ or ‘deficient’ form of contract stems logically from their ‘incorrect’ or ‘deficient’ understanding of economics. There is a kernel of truth to this idea, but it is wrapped in a bundle of false arguments.

The incorrectness of this disposition is challenged immediately by the argument I made above that the compensation contract, far from being a deficient form of industrial cooperation, is the ‘optimal’ or efficient form of contract, custom tailored to provide the best incentives to all parties involved.

Socialist economists have for a long time identified compensation contracts as useful for the purpose

which I outlined above. They have argued long and hard and generally quite correctly against the western assertions that this contract form was inefficient.

There is, however, a kernel of truth to the common western description of the socialist acceptance of compensation contracts as essentially related to the broader ideological character of socialist political economy. The socialist acceptance of and championship of compensation contracts as a form of industrial cooperation did not follow from an analysis of various juridical forms of cooperation and their incentive characteristics. Systematic analytic modeling of incentives is extremely backward and not very widespread in the socialist states. A survey of the economic literature in the German Democratic Republic shows, for example, that practically no other form of contract has been given serious attention, and certainly the incentive properties of alternative forms of contracts have never been the central focus of discussion. One can see the reflection of the narrowness of thinking regarding alternative forms of juridical contracts for organizing the financing of cooperative capital projects in the regulations governing joint large scale capital projects of the CMFA country: the only acceptable form is equity ownership by the host country and repayment of capital contributions with interest for all other participants. This restriction on forms of CMFA cooperation is not merely a result of the practical problems of organizing international agreement: in the GDR, for example, alternative forms are not even broadly debated or entertained even among academic specialists involved in this field. Even today, the only new form of business contract between socialist and capitalist firms which the Soviet Union is explicitly considering is the joint venture.

How then is it the case that the socialist states came to endorse compensation contracts and to articulate correctly their valuable features? The socialist acceptance and championship of industrial

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6 Of course, there are differences among the socialist countries in this regard. The Soviet Union is currently actively advocating joint ventures between socialist firms and has succeeded in incorporating the principle of 'direct relations' between firms in different socialist countries in the most recent communique concluding the meeting of ministers of the CMFA countries. The GDR, on the other hand, while signing the communique is stonewalling any actual development of 'direct relations' involving contractual or formal obligations such as those which are the subject of this paper.

cooperation stemmed from three factors which converged during the years of detente and the expansion of East-West trade: (1) the objective basis for industrial cooperation was large and demanding of complex forms of coordinated operations, (2) compensation contracts are, in fact, an appropriate form of contract, especially for capital projects focused upon the processing of natural resources, a sector on which the socialist countries were interested in concentrating and for which the basis for trade was great, and (3) as western authors have stressed, compensation contracts 'fit' with or at least did not patently contradict the reigning ideological conception of socialist planning and proper forms of cooperation with western states. The early period of detente and the initial steps at economic cooperation were a period of testing. The objective opportunities for trade and the objective need for industrial cooperation forced the socialist states to entertain new forms of cooperation. The compensation contract was a natural form which accommodated the objective conditions and which did not require too serious an adaptation of the ideological structures.

3.2 The Western Conception of Compensation Agreements

The western conception of compensation agreements has been the hostage of the ideological misconception and narrowness with which we approach the subject of socialist economies and economic relations with the socialist states. It is ironic that a form of financing of large scale capital projects which appears perfectly rational when viewed from the framework of western economic theory in the abstract, is analyzed in a prejudicial and irrational fashion because it is the focus of East-West trade and is therefore summarily denounced and dismissed.

The incorrect accusations that have been made in the common Western analyses of the subject include:

1) that a compensation agreement is an inherently cumbersome form of financing trade and industrial cooperation conforming to the cumbersoness of planning and imposed upon the more innovative and flexible western firm seeking to trade with a socialist country;

2) that a compensation agreement is a bureaucratic solution to the evident deficiencies of planned economies and backward management techniques; in particular it is an attempt to push low quality goods
on western markets or a means by which the socialist management can bring western management into
the process of ensuring the quality of the products manufactured in a socialist country--the western
management has an interest in the operation and a legal foundation for participating in operating
decisions since it must purchase the products; alternatively a compensation contract is a means by which
the socialist firm can shift or sell the risk of marketing to the better equipped western firm;

3) socialist countries demand compensation contracts because they are attempting to force a
bilateral balancing of trade on their western partners;

4) socialist countries prefer compensation contracts because they prey to the fallacious concept that
compensation agreements are a device by which they can save on scarce foreign exchange when
purchasing large-scale capital equipment.\(^8\)

While each of these accusations could be valid--in the right context, and with the correct
limitations and qualifiers--I think it would be fair to assert both that they do not accurately
characterize the important and valuable role which a properly designed compensation agreement can and
do serve and that they reflect instead the prejudicial focus of western analysts on the imagined
irrationality of nearly every legal, administrative, or policy device utilized by a socialist firm or
economy. The accusations are wrong, and we are making wrong accusations because we are not studying
the problem with a frank and open mind. Although in recent years there have arisen a set of studies
which have established the uniquely valuable role for compensation contracts in particular circumstances
the common view continues to focus initially upon the presumed irrational motivations for their use by
the socialist states.

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\(^8\) A good example of the strikingly polemical character of the discussion is given by Philip
Beckerman of Philipp Brothers, Inc. in a "Statement" issued to the *Journal of Comparative Business and
Capital Market Law*, 5:407-8, 1985: 'For the past four years U.S. multinational corporations have been
forced to consider a group of trade methods which fall under the rubric of 'countertrade'. Although
these practices have been utilized outside the United States for many years, many U.S. corporations find
them abhorrent, and continue to seek sales through more traditional arrangements. These U.S.
corporations believe that the relationship between buyer and seller should be symbiotic, whereas
countertrade assumes a parasitic posture in favor of the buyer.'
3.3 Problems with Compensation Contracts -- the Experience of the 1970's

What real problems did we discover from the actual experimentation with compensation contracts in the 1970's? The primary problem with which we became familiar is that there are inherent differences between East and West in the management and regulation of their respective economies and these differences imply direct conflict or disagreements regarding the sets of obligations and commitments which are acceptable in long-term industrial cooperation agreements. This conflict immediately becomes apparent in the execution of any industrial cooperation arrangement, and it did in the case of compensation agreements.

The most well known example was the large flow of chemicals from Eastern Europe, produced in western built factories, and obligated for delivery in Western Europe. The contracts were written with reasonable anticipation that the contracted supplies would be needed by the western buyers. As it turned out during certain of the delivery periods Western Europe was experiencing an over supply of the same chemicals and was shutting certain plants and laying off workers. Many persons therefore advocated cancelling the obligations to purchase the products and denounced the initial decisions to organize the compensation agreements. Of course, it is possible to play down this debate as just the inevitable wrangling which follows disappointing performance of project on which any two parties, be they socialist or capitalist, embark. Caveat emptor is certainly an important principle to remember: when the western suppliers of the capital equipment agreed to the buy-back of the chemicals they knew what obligations they were entering into and what that would mean were the markets for chemicals to weaken over the coming years. However, to dismiss the larger problem in this way would be incorrect.

The policies available to the Western European governments to influence the future performance of the economy were constrained or modified by the existence of contracts with firms operating in the socialist countries. It is a fact of life that government policy makers have the right and, if not an obligation, then certainly a persistent temptation to exercise various policy controls to affect precisely such things as aggregate demand, employment policies, industrial development—in socialist countries, to adjust the

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planned operation of a given firm and its commitments to the other firms. Capitalist nations and socialist nations, however, utilize different controls and policies, have made different choices regarding acceptable tradeoffs. Any industrial compensation agreement which is signed must impose a set of obligations on both parties, and how those obligations are to be interpreted and incorporated into different systems of obligations of the respective capitalist and socialist countries will remain a troubling issue. It is an issue to which little careful attention has been given.

This problem is similar to the one of the creation of an international capitalist economy transcending the borders of any single capitalist state while simultaneously maintaining different national monetary and fiscal policies and regulations in each different capitalist state—an issue that has occupied macroeconomists a great deal in the past few years. The fact that the character of the political and economic systems involved in East-West trade are so different makes the problem qualitatively different and more difficult. With the confrontation of industries which operate within distinct social systems, with different forms of economic regulation and response to changing economic circumstances, the danger that policies in one country may conflict with those in another, or that a contract written between the socialist and capitalist partners cannot appropriately define obligations given conflicting regulatory systems is qualitatively greater. Firms in socialist countries will seek greater levels of commitment than western firms are used to offering and greater levels than some western firms can reasonably offer given a regulatory system that expects the individual firm to weather adverse conditions. Firms in socialist countries will be less willing to permit the labor market to absorb the costs of adjustments in operating decisions to new conditions than will their capitalist counterparts and partners.

Although this problem became apparent in the experience of compensation agreements in the 1970's, it is not a problem with compensation contracts per se; these contracts were merely the messenger that revealed the bad news. This is a problem with any form of cooperation in which large-scale industrial processes are coordinated across the boundary dividing the socialist and the capitalist world. This problems will arise with any contract form, and we must anticipate its return as we enter this new stage of interest in cooperation in order to appreciate where we are going and see the problems that will
arise. It is necessary to develop a modus operandi for the impact of national regulatory prerogatives and systems on projects of inter-system industrial cooperation. The socialist states have recognized that this modus operandi cannot be what they had fancied 10, 20 or 30 years ago; they have recognized that it will incorporate many features basic to the capitalist financial system. They are prepared to enter into negotiations on a new compromise. But we will be fooling ourselves if we fancy that it will be a compromise on our terms alone; we will be fooling ourselves if we fancy that the framework for the regulation of a capitalist economy in toto will be the framework within which East-West industrial cooperation agreements will be nestled. We are going to have to identify those elements of a national planned economy, those elements of planning, which we will recognize as influencing the basic character of rights and obligations in the framework of any industrial cooperation agreement.

We cannot view this problem from an exclusively western objective. We will, of course, legitimately attempt to assert in negotiations governing the regulation of new forms of economic cooperation our own notion of the proper regulatory environment. So long as we recognize that we are negotiating, and we do not fool ourselves into believing that we are championing the only efficient and sensible form of governing the obligations to an agreement—as I claim that we did in our response to the socialist advocacy of compensation agreements—then the negotiations can proceed fruitfully and rationally. But if we confuse ourselves by imagining that ours is the ‘correct’ form of regulation, that the socialist conception is ‘irrational,’ then we will obstruct the negotiations as we have done with the compensation and countertrade forms of organization.

4. New Forms of Economic Cooperation— the Possibilities

Compensation contracts are a very specialized form of economic cooperation or financing arrangement for industrial projects, custom tailored, as I said, to resolve a particular market problem. Other forms of contracts are necessary to accommodate other problems, to provide the proper incentives and efficiencies for other situations. Joint ventures, the currently fashionable buzz word, are also a limited form of relationship. Westerners tend to view a joint venture as a political compromise when direct equity investments would be optimal. While this is certainly the case in much of the history of
East-West joint ventures and while this explains why the Soviet Union is limiting the forms of cooperation with western firms that it is currently considering to this form, it should be remembered that joint ventures are a common form of corporate structure even within the boundaries of a single capitalist nation. Joint ventures are just one particular example in a long list of juridical forms or patterns of financial liabilities which can be used, each form is appropriate to a particular circumstance.

The question at hand is how open all parties will be to the development of sophisticated contractual forms for arranging the obligations in an industrial cooperation project.

Our earlier discussion of the approach of socialist economists towards compensation contracts and our discussion of the character of the 'new thinking' in socialist countries can help us to see where the new openness to economic cooperation is likely to lead, can help us decide if we should anticipate particular impediments or if significant progress is likely. My conclusions about how far they will go, about how prepared they are for new developments are the following: (1) there will be large obstacles and little imagination or flexibility in the short term, and (2) the intellectual obstacles will in the medium term be overturned. The socialist states, as I mentioned above, do not yet show any appreciation of the logic behind various forms of economic cooperation. The level of analysis of incentives and economic calculus remains very poor; but they have a stated commitment to changing that, and these changes are visible. Their current acceptance of these new forms derives from a recognition of the objective necessity that something must be done, that these things can't be all bad, that somehow the struggle between the two social systems must be conducted in a world which admits these forms of cooperation, if only because they have been forced upon the socialist community. They have not yet identified the ideological conception which incorporates an understanding of the rational kernal behind these forms of cooperation into an orthodox Marxist analysis of exploitation. But there is a broad consensus that this must change, that these forms cannot be the essential problem, that they do not conflict with Marxism, not even with orthodox Marxism.

One needs to ask the same frank question of westerners as well, however. To what extent are we approaching the new openness in the socialist states as an opportunity to push the very narrow view of what economic cooperation means: direct investment by US multinationals on the basis that they are
familiar with in the US? To what extent are we prepared to respond to the essential nature of the problem, to what extent are we prepared to abandon our prejudices and analyze the ingredients for cooperation more objectively. If we do not learn some lessons from the limitations in our own approach which evidenced themselves in the 1970's, then I am afraid we will be a contributor to the frustration of the hopes that are in evidence currently, then I am afraid we will be in a poor position to design a set of feasible objectives that serve our own interests and a strategy to implement them. Some 'new thinking' is demanded of the West as well.