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The Prospects of Tripartite Cooperation

by Dr Klaus Bolz, Hamburg *

Tripartite cooperation is thought to be of cardinal importance in the ambit of East-West cooperation, at least for the future. An essential reason for this is probably the expectation that it can be used as an instrument of development aid to the benefit of the Third World. Is this expectation justified?

In retrospect it can be said today that the sphere of East-West cooperation — as indeed the economic relations between East and West in their entirety — is receiving much more attention in the public discussion than is warranted by the importance of these relations in the purview of the international division of labour. Neither the number of cooperation projects arranged between western and eastern partners nor the volume of the goods exchanges induced by these projects are so far of an extent which would justify the claim that these instances of East-West cooperation have resulted in a far-ranging intensification of the economic relations between East and West.

Precise information about the total amount of projects carried out jointly by partners from the East and West is lacking, but the Federal Republic of Germany, which is the principal economic partner of all the East European state trading countries, has not participated in more than about 400 projects. The goods transactions involved in these projects probably accounted for substantially less than 1 p.c. of the total German foreign trade turnover. Since the first cooperation contracts were signed over ten years ago, enterprises in the industrialized countries of the West and firms and organizations in the socialist states have engaged in a continuously increasing number of cooperation projects; in the last few years the rate of increase may have averaged about one-third of the number of new projects finalized in the preceding year.

The number of cooperation projects seems small bearing in mind how many thousands of western firms engage in trade with Eastern Europe. In the

Federal Republic alone there are several thousand firms doing business with Eastern Europe. Since a few big enterprises in the Federal Republic each account for a significant number of cooperation projects, the cooperation transactions are, purely numerically, of declining importance.

Going beyond the purely numerical aspect, one cannot as yet speak of a great break-through as regards the intensity of this cooperation. The predominant forms of cooperation are today, as they were in the past, scientific-technical collaboration, cooperation through licensing, and job processing. Agreements involving specialization and close cooperation in production are still rather exceptional. The western partners currently engaged in cooperation projects are in the main domiciled in the larger and stronger economies. The pioneers of East-West cooperation on the eastern side on the other hand are the smaller and, in part, weaker countries (Hungary, Poland, Rumania).

Tripartite Cooperation — The Great Hope

This is the status — in rough outline — which must be kept in mind if the significance of the so-called tripartite cooperation and the prospects for its development are to be appraised correctly. For the past two years or so the subject has been discussed more often. At first the intention was to collaborate in the distribution in third markets of the products of cooperation, but the general wish today is to work together in all possible spheres in third countries and to do so with the participation of firms in the host country, which on principle means a developing country. The only difference from previous East-West cooperation — certainly a very important one in practice

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— is that the developing country associates itself with the project as a partner and the cooperation is taking place on the territory of the developing country.

Advantages for Developing Countries

An essential reason for the cardinal importance which is being attached to tripartite cooperation in the ambit of East-West cooperation — at least for the future — is probably the expectation that it can be used as an instrument of development aid to the benefit of the Third World. Great expectations are being entertained in this respect, partly because of the following positive influences ensuing from tripartite cooperation:

☐ Tripartite cooperation appears to be a suitable means of securing for the governments of the developing countries a greater measure of control over their economies as far as concerns the economic activities of foreign firms on their territory. This could be the consequence of a quasi-competitive situation between the socialist and capitalist partners tending to enhance the autonomy of the developing country. The aims of the cooperation between the western and the socialist partner are however largely identical, with the result that they form a quasi-alliance vis-à-vis the developing country and are thus in a position to bring as strong an influence to bear as is the case with cooperation between a western or eastern partner and a developing country.

☐ Tripartite cooperation appears to be of assistance in moving away from the traditional structures in the developing countries, i.e. to exercise a favourable influence on the economy of the developing country in all the material spheres. This is in principle true of all sectors — infrastructure, agrarian and industrial production, distribution, scientific-technical progress, as well as the raw and primary material sector.

☐ The effectuation of tripartite cooperation projects over the widest possible spectrum of industries and sectors may not only produce beneficial effects in regard to the supplies inside the country but stimulate exports in particular. It may be possible not only to export the traditional export products of the developing countries on a larger scale and more cost-effective terms but tripartite cooperation can have favourable effects on the initiation or expansion of production lines in the industrial-commercial sector. The competitive situation of the individual developing country is likely to improve significantly as a result, not least if the partner countries are ready to bring their established distribution channels and all their marketing know-how into the cooperation venture.

☐ Beside the potential quantitative and structural advantages for the individual developing country, the possible benefit of tripartite cooperation to the technological and organizational situation of the individual country may be pointed out. The importation of foreign capital is likely to prove advantageous. Ideally the developing country could even derive a special benefit from the importation of modern technologies and modern management methods, namely if the bringing-together of eastern and western technologies in one locality bears fruit in especially effective technical solutions for certain tasks.

☐ The whole financial position of the country may improve: resources will be brought into the country in connection with the erection of co-operation plants, and financial flows will take place, especially at a later stage, thanks to improved export opportunities.

These possible positive effects of tripartite cooperation have caused various UN agencies — especially UNCTAD — to interest themselves in this form of three-cornered economic collaboration. They have done so for some time, probably not because of the number of tripartite cooperation projects already put into effect, but mainly in the expectation that this form of cooperation can be extended to form an element of international development policy concepts.

Scanty Results Until Now

A closer examination of the prospects of tripartite cooperation may be usefully preceded by a brief sketch of the present state of tripartite cooperation. Approximately twenty western states are engaging in "simple" East-West cooperation, but only about half of them have so far applied themselves to tripartite cooperation, and only about half of the latter have joined in more — some of them in considerably more — than five projects. The leaders in numbers of joint ventures are France, the Federal Republic, Austria and Italy (in this order). On the other side, all the CMEA countries have already engaged in tripartite cooperation, as they have in "simple" East-West cooperation. Poland has by far the greatest experience in this field, followed — as far as ascertainable — by Rumania, Hungary and Czechoslovakia; the USSR comes next and the GDR and Bulgaria are far behind. Algeria, Egypt, India, Iran and Morocco are slightly ahead of the many other developing countries taking part in tripartite cooperation. But they are only interested in a handful of projects each while most of the others have concerned themselves with one or two ventures only.

The information about implemented projects is gappy but nevertheless allows certain conclusions

about the forms of cooperation: Although participation in all forms of tripartite cooperation appears to be in principle open to the developing countries, it is a fact that most of the tripartite cooperation projects to date by far amount to little more than a line-up of the three partners for the design and erection of production plant or infrastructural facilities. Once the technical building work has been completed there are as a rule few links left between the partners from East and West and the developing country, and these take the form of supply and purchase arrangements. Trade associations and public authorities, in the Federal Republic for instance, consider themselves entitled to speak of cooperation — in the customary, albeit imprecisely defined sense — in the case of such commercial-technical co-action on the ground that it usually takes several years to put up the installations.

A real importance for the development of the national economies of the participating countries in all regions cannot be deduced at present either from the number of projects undertaken nor from their form, the size of the industries concerned or any other factors. More detailed investigations for Poland, and possibly for Algeria and Morocco, would perhaps reveal a more favourable picture. The salient fact is that the Third World has not, until now, derived an appreciable benefit from tripartite cooperation — we are here considering primarily its development capabilities. Against the background of the advantages accruing from this kind of economic cooperation as enumerated above the level of development attained so far is surprisingly low. Even bearing in mind that the inter-systemary cooperation as a whole is still of little importance, tripartite cooperation is obviously still in an incipient phase. One thing is already certain today, namely, that the innate dynamic forces of tripartite cooperation are unlikely to suffice for the effectuation on a major scale of the advantages which can, in principle, ensue from this kind of international cooperation. It is certainly not without significance that when three partners from different countries with quite diverse economic and social structures join in an enterprise, the initiation of the project, the negotiations and the implementation definitely do not involve any smaller problems than arise constantly in the course of ordinary East-West co-operation.

The only questions to be considered at this point are whether problems arise already in regard to the motivation of the partners as they meet for the first time and whether these problems must be mitigated or at least circumvented through external action, for instance by international agencies.

Until recently it was — and perhaps still is — the rule that the developing countries were not accepted as partners by foreign firms, for instance in the exploitation of mineral resources or production of timber. In view of the changed situation in the global economy, and especially in view of the efforts of UNCTAD, it may be assumed as certain that in future developing countries will make any commercial activity by foreign partners on their territory contingent upon project participation by the developing country itself. If the weaker developing countries with support from the international organizations also succeed in this, they will of course turn these cooperation projects to use in coping with their general problems, i.e. for the achievement of their development objectives. As a partner in the cooperation project the developing country will not only pursue the particular economic aims connected with the project in question but at the same time try to come closer to its higher objectives for the economy as a whole. Every single tripartite cooperation project is thus in the nature of an element of the development concept of the particular developing country. As seen from the point of view of the developing country a cooperation project cannot be regarded as advantageous merely because it seems to be an interesting economic proposition by itself but it must always measure up to the demands of the economy as a whole.

Motivations of All Partners

It is of crucial importance for the developing countries that, whatever economic aid is forthcoming from outside, the advancement of their economies towards their development objectives can proceed in such a way that neocolonialist forces cannot again gain an influence on the processes in their countries. No matter what kind of cooperation projects are to be undertaken in developing countries, all seem to be suitable means of moving a step nearer to the general economic objectives. The influence which the developing country can ensure for itself on the arrangement and implementation of cooperation projects will probably be not the least important of the factors determining to what extent a particular tripartite undertaking generates effects of a general economic nature.

It must be asked in this context whether the emphasis put on general development objectives transcending particular commercial considerations may not possibly impair the interest of the other two partners in the pursuit of their objectives.

Western firms look on tripartite cooperation as one particular way of improving their sales pros-

pects, minimising production costs and making sure of raw material supplies on favourable terms. These objectives are in line with the aims of high profits, commercial growth and safeguards for their survival.

The differences in motivation between socialist governments on the one side and socialist firms on the other cannot be detailed here. But leaving the political aims which the socialist governments may entertain out of account it can be stated that by and large many of the objectives of the socialist firms are identical or — if not identical — not inconsistent with those of the western enterprises. The western firms and the socialist countries alike attempt, in the ultimate analysis, to secure economic advantages for their growth and raw materials procurement on the way over tripartite cooperation. In this connection it is of crucial importance that these two partners are at the same time occupying a stronger position economically inside the tripartite cooperation. The developing country, though as a rule a much weaker economic partner, nevertheless pursues the aforementioned development objectives for the benefit of its economy as a whole, in addition to the microeconomic aims which are likely to be largely identical with those of the other two partners. The complex of these objectives will most often be a handicap for tripartite cooperation. There are essential parts of the development concept of the third partner which neither the capitalist nor the socialist partner can adopt without injury to his own economic interests. In whatever industries the eastern and western firms concerned may operate, enterprises oriented towards increasing their profits are likely to find that tripartite cooperation is in a certain sense making undue demands on them.

This conjuncture of motivations may have been a significant factor in slowing the progress of this kind of international cooperation up to now. This supposition is borne out by the small number of tripartite cooperation projects undertaken with German participation and the fact that they were mainly for the construction of plants and thus did not involve an ongoing commitment — for German firms manage their activities according to essentially commercial yardsticks. On a realistic assessment of the situation the developing countries will have to recognize that if they push forward fast with tripartite cooperation projects in larger numbers, they may have to give ground to awaken any interest in such cooperation among western and eastern partners. Giving ground means however in this context to accept knowingly a smaller measure of influence in order to offer to the other two partners a quasi-guarantee

for the attainment of their economic aims. Since such processes cannot be fitted into a development concept with a longer-term orientation, the number of tripartite cooperation projects will in the foreseeable future remain small.

Tasks of UNCTAD

If the possibility of future changes in the basic economic circumstances in the world, which would make it equally advisable for all three partners to engage actively in this altogether difficult form of cooperation is ruled out, an intensification of the cooperation with the participation of developing countries will be impossible, however desirable it is on several grounds, unless selective support measures are applied. A system of incentives will have to be arranged so as to make joint long-term commitment to Third World projects a commercially rewarding proposition for firms in East and West.

The provision of more information about the concrete investment opportunities in the Third World is today a priority task. UNCTAD and others have undertaken to commission appropriate studies. To help tripartite cooperation to a break-through as an instrument of development policy it will, further, be necessary to discuss in detail what advantages may conceivably accrue to all the partners and the prerequisites needed to make the most of them.

In view of the paucity of its own financial resources for promotional measures UNCTAD may well have to confine itself to keeping the discussion alive with a view to encouraging the evolvement of incentives for tripartite cooperation by the government departments concerned with development policy in the industrialized countries in East and West. While the developing countries cannot be expected to provide any financial incentives themselves, they should check the sections of their economic legislation which have a bearing on tripartite cooperation to make sure that they are not "anti-cooperation". Company, property, tax and social laws, import and export restrictions, regulations on profit transfers, etc., all play a role. A special problem is that for the developing country the legislation is an essential instrument to safeguard the economic efficacy of tripartite cooperation, i.e. to prevent neocolonialist developments coupled with the commercial activities of foreign firms (whether of socialist or capitalist origin). There is a need for a compromise which is compatible with the intentions of all three partners. The design of a New International Economic Order is not the least of the issues which are affected by these problems.