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Andrzej Korbonski



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COMECON

The Council of Mutual Economic Assistance is the least known of all the regional organizations. This is attributable partly to the fact that it was largely dormant from its inception in 1949 until the late 1950s and partly to the scattered and fragmentary nature of information on its activities. The present article is an attempt to bring available knowledge into focus for a coherent picture of the organization that "will probably play an increasing role in the economic development of East Central Europe."

COMECON is of interest not only because of its importance as one of the regional bodies shaping a network of relations among European countries. Its interest lies also in the light it throws on the particular problems faced by centrally planned economies when they try to integrate and in its demonstration that international organizations have a life of their own.

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September 1964

ANNE WINSLOW
Editor-in-Chief

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The Evolution of COMECON

In January 1964 the Council of Mutual Economic Assistance¹ celebrated its fifteenth anniversary. Despite the fact that fifteen years is a fairly long time in the life of any international organization, the anniversary passed without creating much excitement. It is not very surprising that the acronym COMECON is familiar to only a small group of people. For roughly the first ten years of its existence COMECON appeared largely dormant, and it was not until the late 1950s that it began to show signs of life.²

The purpose of this study is twofold: first, to trace broadly the development of COMECON from its origin,³ and second, to sketch its current institutional framework and policies. The study will also include some speculations about the organization's future. An attempt will be made to look at COMECON from both the political and economic points of view in the belief that the tenuous borderline between politics and economics becomes nearly obliterated in the case of communist countries. Coordination of economic plans, interna-

¹ Hereafter referred to as COMECON. Other abbreviations found in the literature dealing with the subject are CEMA and CMEA.

² The Charter of COMECON was not officially approved until 1959.

³ For historical accounts of COMECON, see S. Dell, *Trade Blocs and Common Markets* (New York: Knopf, 1963), pp. 306-321; N. I. Ivanov, *Ekonomicheskoe sotrudnichestvo i vzaimopomoshch stran sotsializma* (Moscow: Izdatelstvo Sotsialno-Ekonomicheskoi Literatury, 1962), pp. 215-275; E. Klinkmüller and M. Ruban, *Die wirtschaftliche Zusammenarbeit der Ostblockstaaten* (Berlin: Duncker and Humblot, 1960), pp. 145-211; W. von Knorre, *Zehn Jahre Rat für gegenseitige Wirtschaftshilfe (COMECON)* (Würzburg: Holzner Verlag, 1961); F. L. Pryor, *The Communist Foreign Trade System* (Cambridge, Mass.: MIT Press, 1963), pp. 207-224; A. D. Stupov, ed., *Ekonomicheskoe sotrudnichestvo i vzaimopomoshch sotsialisticheskikh stran* (Moscow: Izdatelstvo Akademii Nauk SSSR, 1962), pp. 4-49; and United Nations Doc. E/CONF. 46/31, Vols. I and II, 3 Feb. 1964.

tional specialization, and multilateral trade will therefore be analyzed in conjunction with certain political aspects of COMECON activities, such as the attitude of individual member states toward the organization and their attitudes toward the Common Market.

Because of space limitations, certain problems which are marginally connected with COMECON are left out of the discussion. Such questions as East-West trade and aspects of the Sino-Soviet conflict deserve separate treatment, and a detailed analysis of economic policies practiced by the organization lies beyond the scope of this essay.⁴

COMECON came into being on 25 January 1949.⁵ The original signatories of the agreement—Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and the Soviet Union—decided to create an organization for the purpose of providing mutual assistance, coordinating foreign trade, furnishing information about their economies, and exchanging views on common experiences. The charter members were eventually joined by Albania (February 1949) and East Germany (September 1950). Yugoslavia participated as an observer at two sessions of the COMECON Council between 1956 and 1958. China attended the Council for the first time as an observer in May 1956, North Korea followed suit a year later, and Mongolia and North Vietnam obtained observer status in June 1958. Mongolia was the one non-European country to become a full member in June 1962, after the other Asian countries and Albania had ceased attending Council meetings in late 1961. Cuba apparently began to participate in the work of COMECON, as an observer, in 1963.

In the first few years of its existence, COMECON appears

⁴ The author wishes to thank the Academic Senate, University of California, Los Angeles, for its support, and his former colleagues at Columbia University, V. Holesovsky, C. Wittich, and A. Wynnyczuk, for their help and advice.

⁵ The text of the official announcement appeared in *New York Times*, 26 Jan. 1949.

to have been simply another organization in the series of "transmission belts" linking the Soviet Union with other communist countries in East Central Europe. It seems to have supplemented the Communist Information Bureau (Cominform), created in September 1947, as another "formal" link between Moscow and its European allies. Even today, it is difficult to pinpoint exactly the reason for the creation of COMECON at that particular time. Presumably the organization was designed as an instrument of Soviet control over the East Central European economies in response to the Marshall Plan, the establishment of the Organization for European Economic Cooperation, and the division of Europe into two camps. It is actually rather surprising that the organization was not formed even earlier, simultaneously with the Cominform.

Apart from economic control, there were political reasons for creating the organization. The Cominform resolution of June 1948 which expelled Yugoslavia from the communist camp also marked the end of the period of "domesticism" in East Central Europe.⁶ From then on, each country in the area was to follow the Soviet model faithfully in almost every sphere of political, economic, and social life. The Cominform was supposed to curb "domesticism" by providing an inter-Party link; COMECON was to perform a corresponding task in the field of economics by reducing the divergencies in the economic systems of the People's Democracies. Although each of the People's Democracies had initiated postwar recovery plans, nationalized various economic sectors, introduced land reforms, and collectivized agriculture, the extent of the reforms and the methods used showed significant variations.

Differences in economic policies and a certain lack of political and institutional uniformity persisted even after the expulsion of Yugoslavia from the Cominform, and it was not until the end of 1948 that the process of *Gleichschaltung* began to make itself felt. It appeared that COMECON, together with the Cominform, was to play an important role in the process

⁶ Z. Brzezinski, *The Soviet Bloc* (New York: Praeger, 1961), pp. 67-83.

of building an integrated empire under Soviet control. This did not, however, turn out to be the case.

There were several reasons for the apparent failure of COMECON. Stalin, who at that time was at the peak of his power, preferred to exercise absolute control over East Central Europe in an informal manner through indirect instruments of coordination such as bilateral meetings with individual party leaders, employment of Soviet military and economic advisers, a secret police network, and similar measures. Whether the neglect of formal international organizations such as the Cominform or COMECON reflected a Soviet desire not to be accused by the West of trying overtly to dominate East Central Europe, or whether it simply signified Stalin's dislike or distrust of multilateral organizations, the fact remains that after 1949 both the Cominform and COMECON became inactive.

The other major reason for the apparent lack of Soviet interest in COMECON was the fact that the policy of uniformity, initiated in the course of 1948, applied also to economics. Although COMECON's officially stated purpose called for mutual assistance, coordination of foreign trade, and exchange of information and experiences, all of these functions were taken over directly by Moscow, which provided the blueprint for the bloc's economic policy and was likely to have the final say insofar as the preparation and implementation of national economic policies were concerned.⁷ In practice this meant concentration on heavy industry, a high rate of investment, and fairly rapid collectivization of agriculture. This in turn resulted in growing economic autarky and progressive diversion of foreign trade from traditional channels to closer commercial ties with the USSR. The Soviet Union also did not hesitate to disregard the interests of the People's Democracies

⁷ At least one Communist Party, that of Poland, admitted officially that the Soviet Union was instrumental in raising the targets in the Polish Six-Year Plan (1949-1955) following the outbreak of the Korean War. The admission was made during the Eighth Plenum of the Central Committee of the Polish United Workers Party called to re-elect Gomulka to leadership in October 1956. *Nowe Drogi* (Warsaw), Vol. X (Oct. 1956) . p. 70.

and engaged in a variety of exploitative policies.⁸ In this situation, COMECON proved to be completely unnecessary. Economic coordination and control were conducted on a bilateral basis without any need for a multilateral organization.

The death of Stalin and the initiation of the "New Course" and "peaceful coexistence" in Soviet foreign policy also affected the relationship between the USSR and the People's Democracies. The new Soviet leadership found it necessary to replace the informal links with other instruments of cohesion. The Cominform was allowed to disappear, presumably for having been too closely associated with the person of Stalin and the expulsion of Yugoslavia. Instead, the Warsaw Treaty, the first real multilateral treaty in Eastern Europe, with emphasis on political and military matters, was concluded in May 1955. The Treaty brought into being a new supranational organization. Apparently at the same time the decision was taken to resurrect COMECON as a parallel body concerned with formalizing economic links and helping to re-establish true unity.⁹

Although it had remained in oblivion for the first seven years of its existence, COMECON had the signal advantage of being "on the books." In the climate of opinion existing in the bloc in the years 1956-57, any attempt to create another international body probably would have met serious opposition, particularly from countries most strongly affected by past Soviet policies conducted in the name of "proletarian internationalism." Furthermore, chiefly because of its insignificant role, COMECON was not tainted with Stalinism and therefore was relatively unobjectionable.

By 1956 nearly every People's Democracy had completed a five- or six-year plan designed to provide a base for a socialist society. The fulfillment reports of these plans spoke far more

⁸ The estimates of actual exploitation vary. The Soviet Union officially admitted that it was exploiting Poland by paying it less than the world price for Polish coal in the period 1946-53. In November 1956 it agreed to make good the difference by canceling Polish debts to the USSR incurred prior to 1956. *Pravda* (Moscow), 19 Nov. 1956.

⁹ For an analysis of this period, see Brzezinski, op. cit., pp. 170-171.

glowingly about the accomplishments in the field of heavy industry than about the achievements in agriculture and other sectors. More important, however, was the fact that various countries were encountering economic problems which necessitated considerable readjustment of past policies. This was true of the Soviet Union as well as of other COMECON countries, although the difficulties varied in kind and intensity.

The economic policies undertaken within COMECON in the Stalinist period have been described as "war economy" measures.¹⁰ With emphasis on growth, little attention was paid to sectors other than the investment goods industry. The slogan "production for the sake of production" (and one is tempted to add "and for the sake of higher indexes") was responsible for the fact that rational economic accounting was ignored in favor of producing almost any commodity at any cost. There was no attempt to economize on capital, or on labor, which was initially quite plentiful and therefore relatively cheap. As a result, a fairly substantial industrial capacity began to emerge in East Central Europe. Yet it soon became obvious that this resembled a giant with feet of clay.

An uncoordinated, autarkic process of growth and a fairly identical pattern of industrial expansion gave rise to serious shortages in a number of countries. Probably the worst of these was the growing shortage of raw materials. With the exception of the Soviet Union and possibly Romania and Poland, East Central Europe is poorly endowed with natural resources. In the course of rapid industrialization after 1949, hardly any attempt was made to develop new sources of raw materials. Thus the expansion of the industrial base was not accompanied by a parallel expansion of the raw materials base.

Actually it is difficult to blame communist planners for this oversight. They might have been lulled into a sense of security by continuing Soviet deliveries of raw materials. In addition, the construction of an electric power plant or a modern forge

¹⁰ Cited in A. Nove, *The Soviet Economy* (New York: Praeger, 1961), pp. 145-146. See also, O. Lange, "Kierunek: socjalistyczna demokracja," *Trybuna Ludu* (Warsaw), 5 Dec. 1956.

appears much more attractive than the lengthy process of excavating a new coal mine or prospecting for oil. This psychological factor should not be ignored. Regardless of their ideological commitment, the leaders of the underdeveloped countries of East Central Europe were as sensitive to questions of prestige and "keeping up with the Joneses" as people elsewhere in the world. The "international demonstration effect"¹¹ seems to exert as powerful an influence in the COMECON countries as in Africa, Asia, or Latin America. But eventually it became obvious that if the high rate of growth was to be maintained, measures would have to be taken to alleviate the shortage of raw materials through the development of domestic sources, or through imports, or both.

The second critical shortage was that of labor. It was particularly acute, although for somewhat different reasons, in Czechoslovakia and East Germany. In other countries, shortages of labor began to develop in certain sectors, especially in agriculture and some branches of industry.¹² This fact required that more and more emphasis be given to labor-saving devices, and in some countries, a shift from labor-intensive to capital-intensive industries. Increases in labor productivity became one of the crucial tasks of planning commissions within COMECON, necessitating an adjustment in the system of incentives, industrial reorganization, and more sophisticated planning.

There is little doubt today that the rather impressive economic achievements in East Central Europe were to a large extent due to the presence of a highly centralized system of controls supplemented by an atmosphere of terror and physical compulsion. Following the Twentieth Congress of the Communist Party of the USSR in February 1956, there appeared throughout East Central Europe a tendency to aban-

¹¹ See R. Nurkse, *Problems of Capital Formation in the Underdeveloped Countries* (Oxford: Blackwell, 1957), pp. 63-67. Although Nurkse's discussion primarily concerns consumption, it can also be applied in a broader sense to patterns of industrialization.

¹² See J. M. Montias, *Central Planning in Poland* (New Haven and London: Yale Univ. Press, 1962), pp. 1-6.

don or mitigate the old system. It soon became clear that it was impossible to restrict the process of liberalization to the political arena. There were attempts to replace the high degree of centralization and physical coercion by somewhat more sophisticated methods aimed at decentralization of decision-making and introduction of meaningful economic calculation. Both of them de-emphasized punishment in favor of incentive. The ultimate result of the new policy was that more attention was paid to such problems as price reform, efficiency of investment, and profitability. Initially this was manifested at the national rather than the multilateral level.

The new lease on life given to COMECON appeared to make sense on both political and economic grounds. After the death of Stalin, and particularly after the events in Poland and Hungary, it became obvious that the structure of the bloc had to be radically changed. The Soviet government's declaration of 30 October 1956, issued even before the Hungarian revolt had reached its apogee, showed that the Soviet leadership was aware of this need for change.¹³ If the past was to be forgotten without loss of the existing formal structure, then COMECON, together with the Warsaw Treaty, appeared tailor-made for the purpose.

On economic grounds, COMECON also appeared as a logical instrument for alleviating a number of problems that began to emerge following the rapid industrialization drive of the late 1940s and early 1950s. Better coordination of national economic plans and expansion of intra-COMECON trade was expected to reduce current difficulties as well as permit maintenance of the high rates of growth necessary for the building of socialism.

A decision to strengthen COMECON seems to have been made early in the 1960s. The reasons for that decision are as obscure as they were for the creation of COMECON in 1949. At least two possible causes are worth considering. One of these may have been the unquestionable success of the Euro-

¹³ *Pravda*, 31 Oct. 1956.

pean Economic Community.¹⁴ Like Great Britain, COMECON initially was highly skeptical about the success of the EEC, but began to worry about the future of its foreign trade and about being cut off from Western Europe once the EEC showed signs of real progress. Thus, at roughly the same time that Britain applied for membership in the EEC, the Soviet Union began its efforts to make COMECON a tool for closer integration of East Central European economies. The main purpose of this endeavor was probably to provide a defense system against the Common Market. Several COMECON members depended on the Common Market as a source of supply of machinery and equipment and as an important customer for foodstuffs and other products.¹⁵ These countries realized that once a common agricultural policy was agreed upon and a common tariff established, they would be prevented from selling their traditional exports and would be unable to acquire machinery necessary for continuing their industrial expansion. One can speculate that closer integration of COMECON countries was intended to prepare them for this eventuality, and at the same time to induce them to search for alternative sources of supply and outlets for their exports both within and outside COMECON.

The other reason for still greater emphasis on COMECON integration may have been the growing conflict between the Soviet Union and China. The USSR, in looking for allies, perhaps was seeking to strengthen its base in East Central Europe. In view of China's avowed opposition to recent policies announced by COMECON, one might even go so far as to suggest that these policies were purposely aimed at China, either as a justification for the reduction of Soviet aid or as a warning that an autarkic policy would not be acceptable.

A more prosaic possibility is that closer integration and growing specialization within COMECON were simply a logi-

¹⁴ This is the view of M. Shulman in "The Communist States and Western Integration," *International Organization*, Vol. XVII, No. 3 (Summer 1963), pp. 650-652 and 659ff.

¹⁵ See pp. 54 and 57.

cal continuation of the process that had begun in 1956. Once COMECON was generally accepted by its membership as an instrument of international economic cooperation, it was bound to expand, both horizontally and vertically. In the process of horizontal integration, additional countries were invited to participate and additional economic sectors and activities (e.g., transport, research, credits and payments) were coordinated. Vertical integration involved cooperation "in depth" in the preparation of economic plans, in specialization, and in foreign trade.

COMECON has perhaps reached a point where the process of integration will acquire a momentum of its own similar to that experienced by the Common Market in its early stages. At the same time, there are evidences that leaders in the more economically advanced countries of COMECON may have overreached themselves in their attempt at closer integration. The slow rate of progress and emerging opposition of some countries to the new policies should not, however, be taken as a sign that COMECON has reached the limit of its potentialities. It is the opinion of this writer that, although COMECON may never achieve the success of the EEC, it will probably play an increasing role in the economic development of East Central Europe.

The Institutional Structure

The institutional framework of COMECON was officially described in some detail for the first time in the COMECON Charter published in 1960, eleven years after the formation of the organization.¹⁶ The absence of any detailed framework with clearly defined powers indicates that it was modeled after the typical Soviet administrative agency, in which the institutional setup and the extent of prerogatives are left deliberately vague in order to render it impotent.¹⁷ It is also possible that there was no need for an elaborate organization as long as the extent of COMECON activity was restricted to a relatively small number of functions. Until the recent reorganization of COMECON's supreme authorities, the most important decisions concerning the organization were taken at periodic meetings of Communist Party leaders of COMECON countries.¹⁸ Even today the task of COMECON authorities is largely the implementation of decisions made at these conferences. The growing complexity of COMECON may, however, require a larger, more specialized organization with progressively expanding authority.

COMECON can be described as an international organization, but it is not yet a supranational organization such as the European Coal and Steel Community or the European Economic Community. According to the Charter, the member countries are not required to surrender any of their sovereignty. Each member state possesses one vote, and all decisions

¹⁶ *Treaty Series*, Vol. 368 (1960) (New York: United Nations, 1961), pp. 264-285.

¹⁷ R. Jaster, "CEMA's Influence on Soviet Policies in Eastern Europe," *World Politics*, Vol. XIV, No. 3 (Apr. 1962), pp. 506-508.

¹⁸ Such conferences were held in Moscow in May 1958, February 1960, June 1962, and July 1963.

must be approved unanimously. However, in principle, a state which declares itself "non-interested" cannot veto an action agreed to by others (e.g., on specialization of production in some sector). It can only refuse to participate.¹⁹ Apparently some members took advantage of this provision even before Romania's recent opposition.²⁰

The highest COMECON authorities have been unable to issue instructions and regulations directly binding on national agencies and individuals in member states. Their decisions must first be ratified by members and then incorporated into the national law of each country. Apart from the Charter, other legal provisions were actually adopted in this manner—the "General Terms of Delivery of the COMECON, 1958," regulating delivery of goods and methods of settling differences among members, and the 1960 "Convention on Immunities and Privileges of COMECON." It may be assumed, however, that sooner or later an attempt will be made to overcome this obstacle and to grant the authorities additional powers.

Little is known about the actual decision-making process within COMECON. Until recently it looked as if the real power within the organization resided in the triangle USSR-East Germany-Czechoslovakia. The Soviet Union often played the role of arbiter, and Czechoslovakia and East Germany just as often managed to win their point by acting in concert against the remaining countries. This has been explained primarily in terms of the Soviet Union's power and the high level of economic development of the three countries. According to some writers, for some time it was customary for all important decisions to be discussed first by the three countries and then brought into the plenary session of the COMECON Council.²¹ This view makes sense in the light of the continuing em-

¹⁹ See United Nations Doc. E/CONF. 46/17, 8 Jan. 1964, p. 5.

²⁰ According to some reports, Bulgaria refused to follow COMECON's recommendation concerning the creation of aluminum industry. *Comecon and the Economy of Eastern Europe* (Vienna: Creditanstalt Bankverein, June 1962), p. 2.

²¹ K. Pritzel, *Die wirtschaftliche Integration der Sowjetischen Besatzungszone Deutschlands in dem Ostblock und ihre politischen Aspekte* (Bonn: Bundesmi-

phasis on specialization within COMECON, which is likely to benefit mainly these three countries.

The COMECON Council

According to the Charter, the supreme organ, the COMECON Council, has the statutory power to discuss all problems within the jurisdiction of COMECON and to make recommendations and decisions on various issues.²² As indicated above, this authority in fact did not amount to much, and in 1962 a special Executive Committee was added to the institutional hierarchy and equipped with additional powers. On the basis of past performance, it can be said that the work of a Council session consists mainly of discussing questions submitted to it by the various organs of COMECON (for example, the Secretariat and Standing Commissions) as well as by individual member states, and of providing directives for the future work of the various agencies. Occasionally, Council sessions have taken place simultaneously with meetings of Communist Party and government leaders from member countries. The obvious purpose was to implement decisions taken at the highest level.

In theory, ordinary plenary sessions are expected to take place twice a year,²³ but Table 1 shows that there were no Council sessions from November 1950 to March 1954. Between December 1955 and June 1958, the Council only met twice. The first interval was clearly due to the lack of interest in the organization during Stalin's last years and to the difficulties of the transition period following his death. The second can perhaps be explained by the unsettled political

nisterium für Gesamtdeutsche Fragen, 1962), pp. 157-158. A 1956 directive of the COMECON Secretariat concerning specialization stipulated that construction of new plants throughout COMECON was to take place on the condition that Czechoslovak and East German capacities be fully utilized.

²² According to Article IV of the Charter, *recommendations* refer to economic, scientific, and technical cooperation, while *decisions* are supposed to be made with regard to organizational and procedural matters. For further discussion, see V. Morozov, "Equality: Cornerstone of the Socialist Countries," *International Affairs* (Moscow), Vol. IX (Dec. 1963), pp. 6-7.

²³ Emergency sessions can be called at the request of at least one third of the membership.

Table 1
COMECON Council Sessions, 1949-63

| No. | Date | Place | No. of Participants | | Main topics discussed |
|-----|----------------------|-------------|---------------------|----------------|---|
| | | | Members | Observers | |
| 1. | April 26-27, 1949 | Moscow | 6 ^a | — | Creation of Secretariat |
| 2. | August 25-27, 1949 | Sofia | 7 ^b | — | Exchange of information and bilateral cooperation |
| 3. | November 24, 1950 | Moscow | 8 ^c | — | Expansion of foreign trade |
| 4. | March 26-27, 1954 | Moscow | 8 | — | Initial steps to coordinate plans |
| 5. | May 26, 1954 | Moscow | 8 | — | Coordination of plans |
| 6. | December 7-11, 1955 | Budapest | 8 | — | Coordination of plans |
| 7. | May 18-25, 1956 | East Berlin | 8 | 2 ^d | Coordination of plans and start of specialization |
| 8. | June 18-22, 1957 | Warsaw | 8 | 3 ^e | Coordination of plans and multi-lateral clearing |
| 9. | June 20-23, 1958 | Bucharest | 8 | 4 ^f | Development of sources of raw materials |
| 10. | December 11-13, 1958 | Prague | 8 | 4 | Coordination of plans for chemicals |
| 11. | May 13-16, 1959 | Tirana | 8 | 4 | Coordination of national plans for 1961-65 and establishment of a common grid |
| 12. | December 10-14, 1959 | Sofia | 8 | 4 | Approval of Charter and coordination of plans |

| | | | | | |
|-----|---------------------------|-------------|----------------|----------------|---|
| 13. | July 26-30, 1960 | Budapest | 8 | 4 | Coordination of 20-year plans and cooperation in agriculture |
| 14. | February 28-March 3, 1961 | East Berlin | 8 | 4 | Specialization; cooperation in transportation; norms and standards |
| 15. | December 12-15, 1961 | Warsaw | 7 ^a | 1 ^b | Specialization in output of ships and chemicals |
| 16. | June 6-7, 1962 | Moscow | 8 ^c | — | Establishment of Executive Committee and publication of "Basic Principles of the International Socialist Division of Labor" |
| 17. | December 14-20, 1962 | Bucharest | 8 | — | Approval of multilateral payments and creation of International Bank |
| 18. | July 24-26, 1963 | Moscow | 8 | — | Coordination of plans for 1966-70 |

^a Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and the USSR.

^b Albania joined in April 1949.

^c East Germany joined in September 1950.

^d China and Yugoslavia attended as observers.

^e North Korea attended as observer.

^f North Vietnam and Mongolia attended as observers; Yugoslavia was absent.

^g Albania did not attend.

^h China, North Korea, and North Vietnam did not attend.

ⁱ Mongolia joined as full member.

SOURCES: W. von Knorre, *Zehn Jahre Rat für gegenseitige Wirtschaftshilfe (COMECON)*, op. cit., pp. 6 and 12; *New York Times*, 22 Dec. 1962 and 27 July 1963; F. L. Pryor, "Forms of Economic Cooperation in the European Communist Bloc: A Survey," *Soviet Studies*, Vol. XI, No. 2 (Oct. 1959), pp. 174-179; and A. Stupov, ed., *Ekonomicheskoe sotrudnichestvo i vzaimopomoshch sotsialisticheskikh stran*, op. cit., pp. 18, 43, and 45.

situation that followed the Twentieth Congress of the Soviet Communist Party and was not brought under control until the 1957 Moscow meeting of the eleven ruling Communist Parties.

The Council meetings are held in different capitals of COMECON states and are attended by delegations from the member countries as well as by observers from other countries who have been invited by the full membership.²⁴ The Council has held eighteen official meetings (see Table 1). Sessions have seldom lasted longer than three or four days, with the exception of the seventh, which lasted a week.²⁵ This can mean either that there was relatively little to discuss, or that all controversial issues had been thrashed out in bilateral or multilateral conferences among Party leaders. The last officially reported session of the Council took place in July 1963. The recent formation of the Executive Committee may mean that the Council will meet less frequently than before.

The Executive Committee

The Executive Committee was formed at the Moscow meeting of Communist Party leaders from COMECON countries in June 1962. It replaced the former statutory body, the Conference of Representatives of Member Countries, and, as the highest executive organ of COMECON, was entrusted with the implementation of policies agreed upon at the plenary sessions of the COMECON Council. It is composed of permanent representatives of each country who hold the rank of Deputy Prime Minister and are expected to devote themselves entirely to COMECON work. The chairmanship of the Committee rotates every four months. According to press reports,

²⁴ In some cases, observer participation does not seem to have been extended to all COMECON bodies.

²⁵ There is little doubt that this session was one of the most crucial meetings in the life of COMECON. It not only created twelve Standing Commissions, thus bringing experts from different countries to work together on a permanent basis for the first time, but it also initiated the program of specialization by allocating the production of about 600 types of machines among individual members.

the Committee has met more or less on schedule every two months since its formation.²⁶

The Committee's functions include coordination of national economic plans, investment programs, and trade policies as well as over-all direction of scientific, technological, and economic research. Directly subordinate to the Committee is the Office on Joint Problems of Economic Planning, with a membership consisting of the deputy chairmen of national planning commissions. The chief task of this Office is to provide data for the Committee's coordination of plans and to maintain liaison among national planning commissions.²⁷

According to official comments from COMECON sources, the Executive Committee was to be endowed with far greater powers than the Conference of Representatives.²⁸ There was talk of amending the Charter in order to incorporate the new body, but no such amendment has taken place. One may speculate that at the June 1962 meeting of Party leaders of the COMECON countries the Soviet Union envisaged the new Committee as a supranational body.²⁹ Such a move may have been blocked by overt resistance from Romania and a lukewarm reception from Poland and Hungary. There is no evidence that such a decision was actually reached. The new Committee therefore does not appear to differ significantly from the old Conference of Representatives, although it is quite possible that it received additional powers to deal with a number of questions previously handled by the plenary sessions of the Council. With the growth of COMECON agencies, more controversial questions were likely to come up for discussion, and it was felt that some of these could not wait for the plenary session of the Council, which meets only twice a year and is not equipped to deal with details.

²⁶ The twelfth meeting of the Committee took place in Moscow on 21-25 Apr. 1964. *Pravda*, 26 Apr. 1964.

²⁷ United Nations Doc. E/CONF. 46/17, 8 Jan. 1964, p. 5.

²⁸ Morozov, *op. cit.*, pp. 7-8.

²⁹ N. S. Khrushchev, "Vital Questions of the Development of the Socialist World System," *World Marxist Review* (Toronto), Vol. V (Sept. 1962), pp. 10-11.

The creation of a Secretariat was foreshadowed in the statement announcing the formation of COMECON in January 1949. But it was not until the seventh Council session in May 1956 that the Secretariat came to the forefront of a resurgent COMECON. The task of the Secretariat, according to the Charter, is to prepare the agenda for the plenary sessions of the COMECON Council and meetings of the Executive Committee and other agencies, coordinate the work of the Standing Commissions and other *ad hoc* committees, and conduct research and prepare reports and statistical data.

The headquarters of the Secretariat is in Moscow. There appears to be confusion about its size, perhaps as a result of various statements made about the numbers of the citizens of member countries "participating" in the work of COMECON organizations. Some sources claim that the number of employees exceeds 2,000,³⁰ while others estimate the number at 400.³¹ The lower figure appears more credible, unless experts attending commissions, working parties, and other bodies are included. There is little doubt, however, that the number of Secretariat employees will increase with the growth of the organization itself.³²

It has been impossible to obtain detailed information about Secretariat total costs, the allocation of expenses among individual member states, geographic distribution of employees,

³⁰ Knorre, *op. cit.*, p. 15. The estimate apparently came from Swedish sources.

³¹ As of the winter of 1964, the Secretariat was supposed to have employed 420 persons. Prior to June 1962, the figure was about 200. P. Jaroszewicz, "O kierunkach pracy RWPG," *Zycie Gospodarcze* (Warsaw), Vol. XIX, No. 4 (26 Jan. 1964), p. 6. The author is the Polish delegate to the Executive Committee. In the period 1960-61, over 10,000 persons were supposedly employed in COMECON agencies. E. Hoffmann, *Comecon, der gemeinsame Markt in Ost-europa* (Opladen: Leske, 1961), p. 16.

³² One indication of potential growth is the fact that a new headquarters for the Secretariat is being constructed in Moscow. According to COMECON press accounts, the new building was to be 27 floors high and scheduled to be completed in 1965. *Zycie Gospodarcze*, Vol. XVIII, No. 32 (11 Aug. 1963), p. 1.

and recruitment policies.³³ Available evidence indicates that the Secretariat performs roughly the same functions as the secretariats of other international organizations.

The Secretariat is headed by Secretary N. V. Fadeyev, the former Soviet Minister of Finance, assisted by three Deputy Secretaries. These officials are able to influence COMECON proceedings by directing the Secretariat's coordinating functions and by attending the meetings of COMECON organs. The composition of the Secretariat is therefore of special interest; it is probable that nationals of individual member states attempt to obtain preferential treatment for their countries in such sensitive areas as international specialization or joint investment projects.

The Standing Commissions

The Standing Commissions comprise the fourth major organ of COMECON. They are composed of experts drawn from the member states, and their main task is to work out details of policies agreed upon by the higher authorities, namely, the Council and the Executive Committee. Table 2 indicates that most of the Commissions deal with fairly narrow branches of economic activity. They are mainly concerned with coordination of production plans, establishment of priorities for outputs of certain key products, formulation of foreign trade agreements, and selection of new investment projects.

Although there is no statutory definition of their jurisdiction, the Standing Commissions have the right to submit proposals to plenary sessions of the Council and to the Executive Committee and are expected to provide annual reports of their activities as well as their plans. Each Commission has a

³³ Apparently the cost of maintaining the Secretariat is allocated among the members by plenary sessions of the Council. The number of Secretariat employees from each member country is determined by its population. Soviet citizens are supposed to account for 70 per cent of the employees. Knorre, op. cit., pp. 15-16. Jaroszewicz, op. cit., states that Poland's share was about 15 per cent.

Table 2

COMECON Standing Commissions, 1956-63

| No. | Field of Activity | Year of Creation | Headquarters |
|-----|------------------------------|-------------------|--------------|
| 1. | Coal | 1956 | Warsaw |
| 2. | Electricity | 1956 | Moscow |
| 3. | Oil and Gas | 1956 | Bucharest |
| 4. | Ferrous Metallurgy | 1956 | Moscow |
| 5. | Non-ferrous Metallurgy | 1956 | Budapest |
| 6. | Chemicals | 1956 | East Berlin |
| 7. | Machine Building | 1956 | Prague |
| 8. | Agriculture | 1956 | Sofia |
| 9. | Foreign Trade | 1956 | Moscow |
| 10. | General Economic Questions | 1958 | Moscow |
| 11. | Transportation | 1958 | Warsaw |
| 12. | Building and Construction | 1958 | East Berlin |
| 13. | Light Industry | 1958 | Prague |
| 14. | Atomic Energy | 1960 | Unknown |
| 15. | Statistics | 1962 | Unknown |
| 16. | Coordination of Research | 1962 | Unknown |
| 17. | Standardization | 1962 | East Berlin |
| 18. | Finance and Foreign Exchange | 1962 | Unknown |
| 19. | Electronics | 1962 | Unknown |
| 20. | Geology | 1962 | Unknown |
| 21. | Food Industry | 1962 ^a | Unknown |

^a Until 1962, one commission handled both light industry and food production.

SOURCE: F. L. Pryor, *The Communist Foreign Trade System*, op. cit. pp. 255-257; N. Fadeyev, "Strany SEV krep'yat ekonomicheskoe sotrudnichestvo." *Mirovaya Ekonomika i Mezhdunarodnye Otnosheniya*, No. 10 (1963), p. 10.

secretariat of its own, responsible to, and financed by, the Secretariat of COMECON. The chairmanship of each Commission is usually held by a representative of the host country.⁸⁴

The Standing Commissions, according to Article VIII of the Charter, are created by plenary sessions of the Council (see

⁸⁴ Knorre, op. cit., pp. 13-14. Little is known about the size of individual commissions. In some cases they have been said to employ as many as 200 persons, although this may again illustrate some confusion between "employees" and officials of member countries participating in the work of the Commissions. F. L. Pryor, "Forms of Economic Cooperation in the European Communist Bloc: A Survey," *Soviet Studies* (Glasgow), Vol. XI, No. 2 (Oct. 1959), p. 180.

Table 2). The first twelve Commissions were formed at the seventh session in May 1956. Since then Commissions have been dissolved or absorbed by others, and additional Commissions have been formed.³⁵

The growth in the number of Standing Commissions can be taken as an indicator of progress toward integration within COMECON. The creation of the first twelve Commissions coincided with a new stage in the activity of the organization. Prior to 1956, experts from different countries met periodically to discuss various problems, but these meetings were organized *ad hoc*, and the liaison among COMECON members was very tenuous. The creation of the Standing Commissions in 1956 provided a permanent framework for mutual discussion for the first time, and thus laid a base for the forthcoming expansion of COMECON activities. Not only are the Standing Commissions handling additional areas of economic activity, but they recently seem to have been given more authority to deal with the most pressing matters in certain key sectors.³⁶ Additional Commissions presumably will be created in the course of the next few years to accommodate the growing amount of coordination among COMECON economies.

The expansion of COMECON's institutional setup provides an ever-broadening forum for discussion of mutual problems that brings the weaker members closer together. It was

³⁵ The Geology Commission and the Wood, Cellulose, and Paper Commission—both created in 1956—were dissolved in 1959. Knorre, *op. cit.*, p. 14. The Geology Commission was re-created in 1962. According to Polish sources, by spring 1964, 25 Standing Commissions were in existence. Z. Keh, "Wazniejsze problemy wspolpracy w RWPG," *Zycie Gospodarze*, Vol. XIX, No. 11 (15 Mar. 1964), p. 1. It has been possible to identify only 21 Commissions in Table 2. Conceivably the existence of some Commissions (e.g., armaments industry) was never made public.

³⁶ Following the June 1962 meeting of Party leaders of COMECON countries, it was decided to "improve" the work of certain Commissions, particularly those dealing with machine building, chemical industry, and foreign trade. These Commissions were to create a special executive committee, composed of delegates with the rank of vice-minister, which was to meet two to three times a year. A. Bodnar, "Rok 1962—przelomowy w rozwoju RWPG," *Gospodarka Planowa* (Warsaw), Vol. XVIII (Jan. 1963), p. 16.

an axiom of Stalinist policy to apply the rule of *divide et impera* to East Central Europe, but there are indications that a reverse process has been in existence for a number of years. By working together in various COMECON agencies, representatives of East Central European countries have had the opportunity to learn more about each other and to realize that by forming a united front they can mitigate, to a large extent, the superior power of the senior member.

COMECON is also beginning to acquire vested interests of its own. The longer it exists and the more it expands, the harder it will be for the Soviet Union to abolish COMECON without antagonizing the rest of the membership. Actually, present indications seem to point to the fact that the Soviet Union is interested in maintaining and even expanding the organization. The quiet shelving of the Soviet proposal to strengthen the authority of COMECON does not indicate that other members were opposed to the proposal as such but rather to specific policies that the organization was about to undertake.

The formation of an International Bank,⁸⁷ which began operations on 1 January 1964, is indicative of the continuing interest in expanding the institutional framework of COMECON. This, in turn, is likely to increase the stature of the organization and make it a significant factor in the economic as well as the political life of East Central Europe.

⁸⁷ See below, pp. 38-39.

The Policies

The stated purposes of COMECON were to engage in economic cooperation, expand foreign trade, and exchange information about common experiences. But because the organization remained practically dormant from 1949-56, it is almost impossible to discern whether it played any serious role in the economic policies of East Central Europe during that interval. Since 1956, however, and particularly since 1960, the influence of COMECON has become visible in several spheres of economic activity throughout the area. It is the purpose of this chapter to examine some of these spheres. The order in which particular policies are discussed is fairly arbitrary. The hierarchy of policies has not remained constant, and different policies and programs have been emphasized at various times. No attempt has been made to provide statistical information, since that is readily available from a number of sources indicated in the notes. Instead, the discussion will concentrate on the broader and occasionally more controversial aspects of COMECON policies.

Intra-COMECON Trade

One of the complaints that constantly appears in COMECON publications concerns the slow growth of intra-bloc trade.³⁸ The reasons for this are obvious. In the decade follow-

³⁸ For a thorough treatment of problems in intra-COMECON trade, see F. L. Pryor, *The Communist Foreign Trade System*, op. cit., pp. 23-205; R. L. Allen, "An Interpretation of East-West Trade," in *Comparisons of the United States and Soviet Economies*, Report of Joint Economic Committee, 86th Cong., 1st Sess. (Washington: GPO, 1960), pp. 403-426; P. H. Thunberg, "The Soviet Union in the World Economy," in *Dimensions of Soviet Economic Power*, Report of Joint Economic Committee, 87th Cong., 2nd Sess. (Washington: GPO, 1962), pp. 409-438, as well as sources listed in footnote 3 above.

ing World War II, the economies of the countries of East Central Europe developed along similar patterns. This left little scope for mutually advantageous trade except possibly in raw materials. Individual countries in East Central Europe were also reluctant to rely on foreign trade to any large extent in the fear that nonfulfillment of obligations by other countries might be instrumental in the breakdown of their own national plans.³⁹ As a result, the ratios of foreign trade to national income in each COMECON country and the volume of foreign trade per head of population have been generally below comparable figures for Western Europe.

There were also other considerations that inhibited the growth of trade. The system of bilateral trade agreements obviously militated against trade expansion, as did the lack of convertibility. The absence of a rational price system prevented any calculation of comparative advantage and thus made it still more difficult to engage in trade. Finally, political considerations, particularly those governing trade between the Soviet Union and certain COMECON countries before 1953, also served as a brake on increases in commercial relations.

The decision in 1956 to expand intra-bloc trade was part of the over-all attempt to breathe new life into COMECON. It was hoped that the increased emphasis on specialization and coordination of national economic plans would almost automatically result in expansion of trade in accordance with the principle of comparative advantage. Other measures taken to accelerate expansion consisted of the introduction of a limited multilateral payments system and attempts to bring about a comprehensive reform of prices used in COMECON trade. The success of the Common Market undoubtedly provided an additional stimulus in that direction.

³⁹ In 1953-54, following the introduction of the "New Course," the less developed members of COMECON (Poland, Romania, Hungary) decided to cut down on import of machinery from and export of foodstuffs to the more advanced member (Czechoslovakia). In 1956 Poland curtailed the export of coal to Czechoslovakia and East Germany, despite prior agreement. J. M. Montias, "Uniformity and Diversity in the East European Future," Paper delivered at the First National Convention of the American Association for the Advancement of Slavic Studies, New York, Apr. 1964, pp. 7-10.

In order to expedite trade within COMECON, the Standing Commission on Foreign Trade issued a document entitled "General Conditions for COMECON Deliveries, 1958" which was to provide a base for uniform treatment of various problems connected with the movement of goods within the area (contract procedures, delivery dates, quality control, and packaging). These regulations were supplemented in 1962 by two others—"General Conditions for COMECON Assembly Work, 1962" and "General Conditions for COMECON Technical Servicing, 1962"—which were concerned particularly with problems arising in transactions within machine building industries.⁴⁰

At the December 1963 meeting of the Executive Committee, it was also decided to start work on a reform of COMECON foreign trade prices. The latter is probably one of the most interesting and controversial aspects of foreign trade within COMECON. According to official pronouncements, the prices currently applicable to COMECON international transactions are based on adjusted average world market prices for 1957.⁴¹ Apparently the Executive Committee decided that changes in world prices since 1958 were of a secular rather than a cyclical or speculative character and that the growing disparity between COMECON and world prices should be corrected. The new reform, which is initially to be carried out on a bilateral basis, is to take into account average world prices for the period 1960-64, with special emphasis on prices in the terminal year.⁴² Thus it can be expected that the discrepancy between COMECON and world market prices

⁴⁰ United Nations Doc. E/CONF. 46/17, 8 Jan. 1964, pp. 13-14.

⁴¹ The validity of this statement has been the subject of controversy among economists in the United States. See H. Mendershausen, "The Terms of Soviet-Satellite Trade: A Broadened Analysis," *The Review of Economics and Statistics*, Vol. XLII, No. 2 (May 1960), and "The Terms of Trade of Soviet-Satellite Trade: 1955-1959" (Santa Monica, Calif.: RAND Corp., Mar. 1962), and F. D. Holzman, "Soviet Foreign Trade Pricing and the Question of Discrimination: A 'Customs Union' Approach," *The Review of Economics and Statistics*, Vol. XLIV, No. 2 (May 1962). On the basis of his examination of Polish foreign trade data, this writer generally supports Holzman's view.

⁴² P. Jaroszewicz, "The Council for Mutual Economic Aid—An Instrument of Cooperation Between Socialist Countries," *World Marxist Review*, Vol. VII (Mar. 1964), p. 8.

will be lessened. It is clear, however, that because of the length of time it takes to conduct price reform in planned economies, reductions will not keep pace with changes in world prices, and the gap is likely to increase again.⁴³ The Commission on General Economic Questions has been working on the problems of inter-member cost comparison and the principles on which a COMECON price structure should be built.

It is difficult to say whether all of the measures mentioned above will result in any significant increase in trade within COMECON. Judging by the limited character of the reforms, no breakthrough has been achieved. Perhaps none was ever intended. It is a little too early to form a definitive judgment, since some of the measures have been put into effect only recently (for example, limited convertibility), and some are only in the preparatory stage (for example, price reform). Nevertheless, it appears that outside factors rather than internal reforms may ultimately stimulate intra-bloc trade. The final establishment of the Common Market tariff wall may do more for the expansion of trade than a whole series of reforms that do not really go to the heart of the matter.

Coordination of Plans

The first serious attempt at achieving systematic coordination of national economic plans probably can be traced back to the crucial seventh COMECON Council session, held in East Berlin in May 1956. Prior to that date, coordination existed only on a bilateral basis outside the COMECON framework.⁴⁴ The seventh session set up a number of Standing Commissions whose task originally was to be the coordination of national production plans for the period 1956-60. A year later, the eighth session (Warsaw, June 1957) called for the coordination of plans for the years 1960-65. Preparations were also made to start work on long-range plans up to 1980. According to a Soviet thesis, coordination of long-term plans

⁴³ It was reported in January that the reform of foreign trade prices had been postponed until 1965. *New York Times*, 21 Jan. 1964.

⁴⁴ Pryor, *The Communist Foreign Trade System*, op. cit., p. 206.

was to be the single most important task of COMECON.⁴⁵ The advantages of coordination were thought to be primarily the avoidance of nonrational parallel development, the full utilization of resources, and reduction of costs through the introduction of techniques of mass production. While cooperation was particularly vital in the field of raw materials and in the machine building industry, other sectors, such as agriculture and transport, were not to be neglected.

The year 1962 appears to have been the watershed for coordination of plans. During that year, the question of closer cooperation in planning was discussed at a conference of Communist Party leaders from COMECON countries and at the sixteenth Council session (both held in June), and at two meetings of the newly created Executive Committee (in July and September). In addition, the organization published the "Basic Principles of Socialist International Division of Labor," and an article by Premier Khrushchev dealing with the subject of coordination and integration appeared at roughly the same time.⁴⁶

Even before 1962 some COMECON members had expressed dissatisfaction with the slow progress of the organization in this particular field.⁴⁷ The mediocre showing of COMECON was blamed on the fact that the organization linked countries with very unequal levels of economic development.⁴⁸ Individual member states were faced with different problems and tasks, making multilateral coordination difficult. The existent coordination was based on bilateral or trilateral agreements (e.g., Poland, Czechoslovakia, and East Germany).

Before 1962 coordination simply meant that member countries compared production plans of key commodities, their

⁴⁵ B. Miroshnichenko, "Kooperatsiia narodno-khoziaystvennykh planov sotsialisticheskikh stran," *Voprosy Ekonomiki* (Moscow), No. 3 (1960), pp. 31-43.

⁴⁶ Khrushchev, op. cit., pp. 3-19.

⁴⁷ The notable example was Poland. Speaking at the Fifth Plenum of the Central Committee of the Polish United Workers Party in June 1960, Gomulka complained that, except for foreign trade, there was little or no cooperation among COMECON members. *Trybuna Ludu*, 22 June 1960.

⁴⁸ Bodnar, op. cit., pp. 12-16.

planned exports and imports, and long-range plans for the development of some industries. This comparison made it possible to find tangential points of mutual interest and was followed by discussions regarding possible solutions, which implied that some sort of coordination had been achieved. As a rule, by the time the negotiations took place, national plans already had been approved by the highest authorities in each country. Broader coordination was therefore impossible without amending the plan. Some corrections were introduced in the annual trade agreements, but they were not significant.

At the various meetings held during 1962, it was also decided to pay greater attention to such problems as rates of growth, the burden of investment in individual countries, and the mutual foreign trade obligations of COMECON members. Initial consultations concerning plans for 1970-80 also began to take place at this time.⁴⁹

Furthermore, closer coordination was to be undertaken with regard to the labor force. Poland and Bulgaria had to find additional jobs because of demographic pressure, while Czechoslovakia and East Germany were trying to relieve labor shortages through mechanization and automation. These difficulties could be eliminated and considerable savings of resources achieved if labor were permitted to move from Poland to Czechoslovakia, for example, or if Czech factories were built in Poland.⁵⁰

Some countries, particularly Czechoslovakia and East Germany, apparently have been willing to finance the creation and expansion of extractive industries in other member countries. The loans are to be repaid in kind, by exports of raw materials.⁵¹

⁴⁹ By early 1964 the work on coordinating long-range plans to 1980 had made little progress because some countries were behind in the preparation of their plans. Jaroszewicz, "The Council for Mutual Economic Aid . . .," *op. cit.*, p. 4.

⁵⁰ During a trip across East Germany in the summer of 1961, the author was told that an unsuccessful attempt had been made to induce Bulgarian and Polish workers to move to East Germany prior to 1961.

⁵¹ Czechoslovakia lent Poland over \$200 million to develop coal, copper, and sulphur mines, and East Germany granted Poland \$100 million to expand output of brown coal. Poland, in turn, devoted about \$85 million in

The discussions concerning a closer integration of planning were summarized by Premier Khrushchev in the article mentioned above. After stating that COMECON had matured enough to be able to undertake joint planning on a much larger scale, the Soviet leader indicated that the June 1962 conference of Party leaders of COMECON countries had decided to grant the organization greater authority in that field. Prior to that conference, closer coordination had been impossible for two reasons: the COMECON authorities had insufficient statutory powers, and they lacked sufficient statistical and other data. According to Khrushchev, this would now be changed. Closer coordination in conjunction with stricter adherence to the international division of labor, joint financing of common enterprises, and the integration of national investment programs should result in "building the socialist world economy as a single entity."⁵²

Neither in Khrushchev's article nor in any other statement emanating from COMECON sources was the new policy spelled out in detail. The opposition, which came to the surface the following year, suggests that the newly formed Executive Committee was to have authority to overrule the resistance of certain COMECON members to the allocation of resources considered optimum by more powerful members. In other words, the new body was to become the first supranational agency of COMECON and was to modify the principle of absolute economic sovereignty of individual member states. Khrushchev's reference to the possibility of reallocation of investment funds from country to country was indicative of the new powers to be given COMECON. Closer integration of production and investment plans, together with greater emphasis on specialization, could only be attained if member states agreed to surrender some of their

1963 to developing the Soviet fertilizer industry. K. Olszewski, "O wspoldzialaniu krajow RWPG," *Nowe Drogi* (Warsaw), Vol. XVIII (Feb. 1964), pp. 85-86. For other examples of joint undertakings, see Table 3.

⁵² Khrushchev, op. cit., p. 9. According to Khrushchev, "it may well be that we shall have to re-switch some of the allocations [for capital building] from country to country, on mutually acceptable conditions, of course, for the interested countries." *Ibid.*, p. 10.

sovereignty for the good of all the members of COMECON. Apparently, Khrushchev was determined to achieve this. At least during the remainder of 1962, there was no indication that his plan would not be fulfilled.⁵³

Whether because of the opposition of China, Romania, and other countries or for some unknown reason, it appears that sometime in early 1963 the original supporters of closer integration began to experience a change of heart. The official communiqué issued in Moscow after the July 1963 meeting of Communist Party leaders of COMECON countries did not mention the need for establishing a joint planning agency and indicated that the problem was not as simple as it originally might have appeared. Instead, the conference agreed that it would be better to proceed with closer integration by organizing, on a bilateral or multilateral basis, international cartels in which all interested parties could participate.⁵⁴ The tenor of the statement suggested that the idea of a supranational organ had been abandoned for the time being.

Some of the reasons for shelving the whole concept were explained during late 1963 and early 1964. According to some sources, planning on COMECON's scale would require concentrating output in countries having the greatest advantage for the production of a given group of commodities. Some COMECON countries would, in turn, be faced with a permanent deficit in their balance of payments, and this would create an impossible situation in the long run. Furthermore, it was claimed that in some industries, particularly in machine building, the scale of operations bore little relation to costs. Thus, the chief argument in favor of integration and specialization—that only some countries should pro-

⁵³ Some writers claim that the idea of establishing a supranational planning agency was abandoned at the seventeenth COMECON Council session in December 1962. M. Gamarnikow, "Comecon Today," *East Europe*, Vol. XIII (Mar. 1964), p. 5.

⁵⁴ "Z lipcowej narady RWPG," *Zycie Gospodarcze*, Vol. XVIII, No. 32 (11 Aug. 1963), p. 1.

duce certain products and achieve economies of scale—was deemed spurious.⁵⁵

The argument against the creation of a COMECON planning board was carried still further at a conference of leading economists from member states held in Prague. The participants at the meeting came to the following conclusion:

Crystallization of a common economy based on common property and free of state frontiers is a matter for the very distant future. *Any attempt to create such an economy at present, any artificial acceleration of objective processes, far from being a step forward would greatly damage the common cause. . . . The development of the socialist world system is a natural historical process involving a succession of phases and stages which cannot be bypassed at will. . . .*⁵⁶

This is where the matter stands today. At least for the time being, probably no further attempt will be made to achieve closer coordination of COMECON economies from the top down. Instead cooperation from the bottom up apparently will be tried. Under this arrangement, two or more countries will agree to coordinate their plans and to divide outputs of individual commodities among themselves. This is in fact maintenance of the *status quo*, since bilateral coordination within COMECON has been in existence for a number of years. In June 1962, Premier Khrushchev had stated that "the socialist world system is now at a stage when it is no longer possible correctly to chart its development by merely adding up the national economies,"⁵⁷ but in 1963 and 1964 it appeared that it was possible to do so after all.

While the issue of national sovereignty seems to have been the chief obstacle in creating a COMECON planning agency, it is also probable that COMECON economists have concluded that closer integration is not feasible for economic reasons, at least not before some far-reaching economic reforms have been undertaken. As long as the organization

⁵⁵ S. Kuzinski, "Wezlowe problemy wspolpracy," *Zycie Gospodarcze*, No. 46 (17 Nov. 1963), p. 3.

⁵⁶ "The Socialist World System of Economy and the Laws Governing Its Development," *World Marxist Review*, Vol. VII (Apr. 1964), pp. 57-58.

⁵⁷ Khrushchev, *op. cit.*, p. 5.

does not have adequate cost and price data at its disposal, it is clearly impossible to achieve the most efficient allocation of resources. This means that in the near future coordination of production, even on a bilateral basis, will have to be conducted in a more or less *ad hoc* manner.⁵⁸

Specialization

Following the June 1962 conference of Party leaders from COMECON countries, the process of international specialization, which began at the seventh COMECON Council session in 1956, culminated in the publication of the "Basic Principles of the Socialist International Division of Labor."⁵⁹ This document enumerated the official reasons for closer adherence to the principles of division of labor within the organization, and its conclusions made good sense. Specialization was necessary because of rapid technological progress, the need to achieve a more efficient allocation of resources, and its possible contribution to a better utilization of available research facilities. Specialization made sense because of national differences in endowment of natural resources, and because it was the only way to equalize the level of economic development in all socialist countries.

The concept of the socialist international division of labor was elaborated further by Premier Khrushchev in his famous article. After restating the major points listed in the June 1962 "Basic Principles," he again stressed the need for closer coordination and specialization. Obviously, the two were closely linked. National economic plans would have to be integrated on the basis of an allocation of outputs previously agreed upon by individual members. The additional powers to be granted to COMECON might also cover a determina-

⁵⁸ For comprehensive discussions of these problems, see E. Neuberger, "Soviet Economic Integration: Some Suggested Explanations for Slow Progress" (Santa Monica: RAND Corp., July 1963), and "International Division of Labor in CEMA: Limited Regret Strategy," *American Economic Review*, Vol. LIV, No. 3 (May 1964), pp. 506-515; and Pryor, *The Communist Foreign Trade System*, op. cit., pp. 206-223.

⁵⁹ *Pravda*, 17 June 1962.

tion of the "product mix" each country was to produce. Although according to Premier Khrushchev the Soviet Union was big enough to produce everything, it "was prepared even to cut down production of certain types of manufacture should it be found more expedient to manufacture them in the other member-countries of the Council."⁶⁰

Like most of the other activities discussed above, the serious attempt at specialization began in May 1956. At that time it was decided to recommend that the production of some 600 types of machinery and equipment be allocated among individual members. Since 1956, successive Council sessions have discussed specialization in other areas of production, including raw materials and semi-manufactured goods.⁶¹ Specialization seems to have progressed farthest in the machine building industry, where the number of items subject to specialization agreements has nearly doubled since 1956, reaching the figure of 1,200.⁶² At the end of 1962, of 2,500 kinds of industrial equipment, only 300 were produced in more than one country.⁶³

Judging by the reaction of individual member countries, the objection to further specialization is based on roughly the same considerations as those inhibiting a closer integration of economic plans. This is not surprising, since the two are closely intertwined. The various specialization agreements are based almost entirely on the existing pattern of economic development. Countries with a relatively well-developed industrial base were to be given the task of expanding it, while those which had been unable to catch up with the more advanced countries were generally to continue in their present status as purveyors of raw materials. Apart from this division between producers of raw materials and producers of finished goods, there also was to be greater

⁶⁰ Khrushchev, op. cit., p. 13.

⁶¹ For a list of COMECON specialization agreements, see Pryor, *The Communist Foreign Trade System*, op. cit., pp. 260-266.

⁶² Jaroszewicz, "The Council for Mutual Economic Aid . . .," op. cit., p. 7.

⁶³ S. Jedrychowski, "The Economic Effects of the International Socialist Division of Labor," *World Marxist Review*, Vol. VI (Mar. 1963), p. 4.

specialization within individual branches of industry, particularly in machine building. Thus far specialization has been limited to final products and here, too, there has been no change in the existing pattern of manufacturing. A further inhibiting factor has been the absence of long-term agreements guaranteeing delivery of needed machines by the producer to the importer.⁶⁴ Naturally, no country was eager to stop producing a particular kind of equipment unless it could be assured of delivery by the country chosen to be the chief or only producer. Here again, the absence of a supranational enforcement agency to ensure performance was a significant factor. A problem that limits specialization but does not affect closer coordination of plans seems to be that comparative advantage is a dynamic concept while present specialization agreements have a purely static character. Because of this, the specialization policy of COMECON members has been defined as a "limited regret strategy." This enables the COMECON countries "to reap the benefits of comparative advantage in those cases where the benefits appear so obvious as not to require any serious economic calculations, and in other cases to obtain the benefits of internal economies of scale."⁶⁵

As in the case of closer coordination of plans, a change of heart concerning multilateral specialization appears to have taken place since 1962. According to the Polish delegate to the COMECON Executive Committee,

exact definition of the place of the various countries in the overall system of international specialization and coordination is a matter of the future. The recommendations of the industrial committees [Standing Commissions] are not enough for this.⁶⁶

More comprehensive specialization agreements are to be reached in the process of coordinating plans for 1966-70, but like coordination itself, they are to begin at the bottom,

⁶⁴ Bodnar, *op. cit.*, p. 15.

⁶⁵ Neuberger, "International Division of Labor in CEMA: Limited Regret Strategy," *op. cit.*, p. 515.

⁶⁶ Jaroszewicz, "The Council for Mutual Economic Aid . . .," *op. cit.*, p. 7.

through bilateral agreements. Apparently COMECON again discovered that "bilateral cooperation was indispensable."⁶⁷

For the time being, there probably will not be any rapid increase in across-the-board specialization in COMECON. Instead, two or three member countries may agree to specialize in the production of a particular commodity. Such cooperation has existed for some time and has apparently proved satisfactory.

Multilateral Payments

The predominant, if not the sole, method of financing intra-COMECON trade has been bilateral clearing. Its drawbacks, however, have become more pronounced in the light of growing emphasis on trade expansion and specialization. The most serious impediment appears to have been the virtual freezing of outstanding balances. In the long run the accounts were balanced, but the appearance of temporary deficits and surpluses proved to be unavoidable. In clearing agreements with countries outside COMECON, outstanding debts had to be settled after a certain time by surrendering either gold or convertible currencies. The only sanction applicable to COMECON transactions, however, was payment of an annual interest of 2 per cent on the outstanding balance. Theoretically, debts were to be paid three months after the end of the calendar year; in practice, they were carried over to the next year.⁶⁸

Varied attempts have been made to move away from the bilateral system. The only well-known example of a quadrilateral arrangement failed.⁶⁹ In a more successful instance, a

⁶⁷ Ibid. For another example of the recent change of attitude, the claim that bilateral consultations were essential for multilateral specialization, see V. Houdek, "Dvoustranna spoluprace," *Hospodarske Noviny* (Prague), 21 June 1963.

⁶⁸ See A. Zwass, "Tresc pieniadza w wymianie zagranicznej panstw socjalistycznych," *Finanse* (Warsaw), Vol. XIV (Oct. 1963), pp. 4ff.

⁶⁹ The first quadrilateral agreement was signed between the USSR, Poland, Czechoslovakia, and Finland in June 1949. Finland was to deliver \$100 million worth of timber, ships, and prefabricated houses to the USSR. It was to be repaid by export of Polish coal (\$80 million) and Czech exports of farm implements and other goods (\$20 million). The Soviet Union, in turn, was to deliver foodstuffs to Poland and Czechoslovakia. Zwass, op. cit., p. 4.

country was able to transfer a surplus earned in dealing with another country to third countries.⁷⁰ The first serious effort to introduce multilateralism followed an agreement reached at the eighth Council session in June 1957 on payment for deliveries of goods exceeding the amounts agreed upon bilaterally. The old system of bilateral settlements was not liquidated and was to serve as the normal form of payment. Only surpluses (deficits) arising from annual protocols to trade agreements, and other sums agreed upon by all participating parties, were to be settled multilaterally. A chamber within the Soviet State Bank (Gosbank) was to be in charge of clearing. Nevertheless, the initial attempt did not prove entirely successful, and in the first few years, only 1.5 per cent of the total volume of intra-COMECON trade was paid for in this fashion.⁷¹

The next step in the direction of a modified multilateral system was taken in 1959. Following a conference of COMECON financial experts in October of that year, restrictions on importation of foreign exchange into the country of origin were lifted in December.⁷²

Finally, an International Bank for Economic Cooperation, created by the Executive Committee in October 1963, was put in charge of multilateral clearing. According to an official statement, all payments—whether under bilateral, multilateral, or other agreements—have to be conducted in transferable rubles after 1 January 1964. At the end of each calendar year, all outstanding debts and credits have to be settled in that currency through the International Bank.

⁷⁰ In 1950-51, Romania was running a surplus vis-à-vis Bulgaria. It then purchased additional Bulgarian tobacco and re-exported it to Czechoslovakia, Hungary, and East Germany. "Towards a Transferable Rouble?" *The Economist* (London), 19 Oct. 1963, p. 263.

⁷¹ Zwass, *op. cit.*, p. 5.

⁷² Knorre, *op. cit.*, p. 42. Apparently Czechoslovakia was from the beginning opposed to any relaxation of nonconvertibility because of the privileged position of the Czech crown vis-à-vis currencies of other COMECON members. For an official description of the new system, see F. Bystrov, "Organizatsiia mezhdunarodnikh ras'chetov sotsialisticheskikh stran," *Voprosy Ekonomiki*, No. 2 (1960), pp. 112-119.

Possibly as a concession to Romania and other members, each country receives one vote, and the Bank's recommendations have to be approved unanimously. Each central bank is to have an account in the International Bank from which a given country's obligations are to be paid. Individual shares of the Bank's capital are determined on the basis of the percentage share of exports of a given country in COMECON trade. If a country finds itself short of funds, the Bank grants it short-term credit which must be repaid within a calendar year. Individual commercial transactions among foreign trade enterprises of COMECON countries are still being dealt with by the respective national central banks. The International Bank simply registers outstanding debts and credits and clears them multilaterally. No actual rubles are to be transferred. The Bank will not take charge of transactions among individual COMECON central banks or of dealings between the banks of COMECON and those of the outside world.⁷³

COMECON financial experts attach considerable importance and hope to the new system. They see it primarily as an instrument for the rapid expansion of intra-COMECON trade. In addition, the necessity of acquiring transferable rubles is likely to force the various member countries to pay greater attention to a satisfactory fulfillment of trading contracts and to a more careful search for potential export outlets.

Nevertheless, the experts seem to be aware of the fact that the success of a multilateral payments scheme is dependent, among other things, on the elimination of serious differences in the price structure within member states and on the establishment of a correct system of cross exchange rates. Other-

⁷³ The "one member, one vote" approach has been strongly emphasized by Soviet sources, which proudly proclaim that although the Soviet contribution to the Bank's capital amounts to 38 per cent, the USSR has only one vote. K. Nazarkin, "A New Form of Cooperation," *International Affairs*, Vol. X (Apr. 1964), p. 61. For further details, see A. Zebrowski, "Miedzynarodnowy Bank Wspolpracy Gospodarczej," *Finanse*, Vol. XV (Feb. 1964); and J. Wyznikiewicz, "Rozliczenia Miedzy Krajami Socjalistycznymi," *ibid.* (Mar. 1964).

wise bilateral agreements will remain as the normal method of settling accounts, and the volume of trade still will be determined by the weakest partners, i.e., those who are forced to balance their trade at a low level. The experts appear to be well acquainted with the experience of the European Payments Union, which, despite rigorous provisions for settlement of outstanding debts, did not prevent a division of membership into perpetual debtors and creditors. In addition to some unspecified sanctions, some of the experts feel that the introduction of restricted convertibility of outstanding balances into gold or free currencies should go a long way toward ensuring the success of the new policy.⁷⁴

The introduction of multilateral settlement is part of the over-all effort to improve the functioning of COMECON and to expand its foreign trade. Success depends to a large extent, if not wholly, on a number of reforms that have long been contemplated by the COMECON countries. As long as the prices in individual member states are divorced from world prices and from prices in other COMECON countries, the new system has little chance of success. There has been talk about reforming the price system, but, as indicated above, any price reform in planned economies is a long-term proposition and for the time being the old structure is likely to remain. This fact alone would prevent the new system from performing more than a marginal function in intra-COMECON trade.

Joint Production

The possibility of two or more COMECON countries engaging in joint production has been emphasized only recently.⁷⁵ It is quite probable that one of the reasons for the lack of enthusiasm for creating joint enterprises with the

⁷⁴ Zwass, *op. cit.*, pp. 9-10. Early in 1964, Poland announced that it would propose that the Bank's capital be held in gold or convertible currencies and that the transferable rubles be made convertible into gold and free currencies. Jaroszewicz, "The Council for Mutual Economic Aid . . ." *op. cit.*, p. 8.

⁷⁵ Khrushchev, *op. cit.*, p. 9.

Soviet Union is the memory of joint companies organized by the USSR after the end of World War II. These companies, in the former enemy countries Bulgaria, Hungary, and Romania, provided an instrument for Soviet exploitation until they were dissolved after Stalin's death. Consequently, the various joint enterprises formed after 1957 either included the Soviet Union as an apparently equal partner or involved only the smaller countries.

Probably the most significant joint production effort was the construction of the "Friendship" pipeline linking the Soviet Union with Czechoslovakia, East Germany, Hungary, and Poland. The construction of the first leg, connecting the Soviet Union with Czechoslovakia and Hungary, was completed in 1963 and that of the northern section, linking East Germany and Poland, in 1964.

The importance of this pipeline should not be underestimated. The smaller participating countries did not possess any significant sources of oil, and only Poland had sufficient reserves of hard coal. Despite the fact that the economic plans of COMECON countries still consider coal the main source of energy up to 1970, the world-wide transfer from coal to oil is likely to affect these countries sooner or later. The construction of the pipeline should accelerate this process. Furthermore, the increase in oil supply to the area should facilitate expansion of the chemical industry, which appears high on the list of priorities within COMECON.

Two additional factors give the pipeline importance. In view of the rapid expansion of Soviet oil exports to Western Europe (particularly to Italy and West Germany), the pipeline may further stimulate these exports by bringing oil into the center of Europe. Moreover, increasing supplies of oil in the area might weaken the position of Romania, the only significant COMECON oil producer other than the USSR. Undercutting Romania's position at this particular time, whether within or outside COMECON, might reduce its bargaining power vis-à-vis the rest of the organization.

Another project which seems mutually advantageous to all COMECON members is an integrated power grid that was

recommended in May 1959. The power systems of Czechoslovakia, East Germany, Hungary, Poland, and the USSR were linked during 1960-62. The Bulgarian and Romanian networks were to be connected during 1963-64. The entire system is to be directed by a Central Control Board in Prague which began operations on 1 January 1963.⁷⁶ Other examples of multilateral projects are the Nuclear Research Establishment at Dubna (Soviet Union) and the COMECON Bureau of Standards in Moscow.

A somewhat different type of joint enterprise is a common freight-car pool to be established during the second half of 1964. The pool is to have about 100,000 freight cars at its disposal. Individual contributions are to be determined by the relative shares in COMECON international rail freight traffic. Each country will be free to use, within its own territory, as many pool cars as it contributes to the pool. Graduated fees are to be established for cars above the quota. It was thought that the pool would contribute toward better utilization of cars and reduce unproductive runs, thus mitigating the persistent shortage of freight cars in COMECON.⁷⁷

Still another example of joint production efforts is bilateral or multilateral cooperation in the production of particular commodities and in the construction of plants. Examples of this type of joint enterprise are shown in Table 3.

It was also decided during 1962 to create producers' associations—to some extent resembling cartel agreements—for particular commodities. The first was to affect the output of roller bearings and was to include all COMECON members. Czechoslovakia and Poland have been considering the formation of an electronics cartel and, together with East Germany and Hungary, they are reviewing the desirability of similar agreements for the production of some chemicals.⁷⁸

⁷⁶ I. Maximov, "The Peace Power Grid," *International Affairs*, Vol. IX (Sept. 1963), pp. 109-110.

⁷⁷ Olszewski, *op. cit.*, pp. 87-88.

⁷⁸ Bodnar, *op. cit.*, p. 15.

Table 3

Economic Cooperation Within COMECON, 1963

| <u>Participating Countries</u> | <u>Purpose</u> |
|--|---|
| 1. Soviet Union, East Germany | Development of chemical industry |
| 2. Poland, East Germany | Development of brown coal industry |
| 3. Romania, Poland, East Germany, Czechoslovakia | Construction of a cellulose plant in Danube delta (to utilize rushes) |
| 4. Soviet Union, Hungary | Development of aluminum industry |
| 5. Bulgaria, Romania | Construction of a hydroelectric plant on the Danube |
| 6. Czechoslovakia, Hungary | Construction of a hydroelectric plant on the Danube |
| 7. Poland, Czechoslovakia | Joint production of heavy trucks |
| 8. Soviet Union, Poland | Expansion of potash fertilizer industry |
| 9. Czechoslovakia, Poland | Development of copper, sulphur, and coal mining |
| 10. Soviet Union, Other COMECON members | Development of phosphorous fertilizer industry |

SOURCE: *Neues Deutschland* (East Berlin), 28 July 1963, cited in *Ostprobleme* (Bonn), Vol. XV, No. 21 (18 Oct. 1963), p. 2.

In view of the difficulties encountered in coordination of plans, specialization, and intra-COMECON trade, joint production, whether on a bilateral or multilateral basis, appears to be the best solution for COMECON. Joint enterprises manage to avoid many of the pitfalls associated with multilateralism, yet at the same time they do bring about a better allocation of resources and reduction in costs, if only on a limited scale. From the political point of view, these enterprises seem much more acceptable to the membership. This apparently has now been recognized by the top COMECON

authorities, and this type of cooperation will probably show a significant increase, especially since isolated examples of bilateral cooperation have proved quite satisfactory.

Other Activities

In contrast to the considerable, if not always successful, activity in the coordination of plans or in the creation of a multilateral payments system, other less dramatic but equally important areas were generally left untouched.

One of these areas was the establishment of industrial standards and norms. Even within individual COMECON countries the standardization process was slow, and no country, including the USSR, managed to agree on more than a few hundred standards.⁷⁹ It was not until June 1962 that a decision was taken to create a Standing Standardization Commission and to establish a COMECON Bureau of Standards.

Impetus in the direction of another important albeit neglected field, that of technological and economic research, was provided by the June 1962 conference of Party leaders of COMECON countries. An attempt to coordinate research had already been made in 1961, particularly after a conference of the chairmen of national academies of sciences had called for the creation of a number of joint research institutes patterned after the Nuclear Research Establishment at Dubna. Apparently this did not produce any significant results, since the June 1962 conference created a Standing Commission for the Coordination of Scientific Research to serve as the supreme coordinating organ in such fields as research, technological progress, and the training of skilled cadres.⁸⁰

One major conclusion emerges from a review of economic policies undertaken by COMECON. If the aim of the various measures has been to attain a fairly high degree of

⁷⁹ Hoffmann, *op. cit.*, p. 101.

⁸⁰ Bodnar, *op. cit.*, p. 16.

economic integration in East Central Europe, this task has not been accomplished. But it is clear that some successes have been achieved. Coordination of economic plans is taking place, although on a bilateral basis. In a number of industries specialization is now accepted by COMECON members even though it seldom takes place among more than two or three countries. Restricted convertibility has been introduced, joint investment projects have been undertaken, and research is being conducted on a multilateral basis by the COMECON countries.

But the major objective, the establishment of a supranational authority able to institute coordination and specialization on an organization-wide basis, has not been achieved. Some of the reasons for this failure have been mentioned above. Some were purely economic in nature: absence of a rational price system, traditional distrust of intra-COMECON trade as a means of plan fulfillment, and lack of other economic instruments necessary for proper economic accounting. The major reason for the presumably temporary abandonment of plans for a supranational body seems to have been the opposition of some COMECON members to the ideas emanating from Moscow. The creation of a supranational authority would have meant surrender of a certain degree of sovereignty, and none of the member states were particularly eager to have this happen. When it became clear that the new body was to be empowered to enforce coordination of plans and also to put far-reaching specialization into practice, the opposition came to the surface and apparently was strong enough to cause the project's abandonment. It was the old story of "have not" countries refusing to cooperate and provide the "haves" with raw materials and foodstuffs. For the time being they appear to have won the battle, but the future is not at all clear.

National Attitudes

There is little doubt that the USSR was actually the initiator of closer economic integration in the socialist camp. Its almost purely political motivation, the substitution of economic for political ties linking the Soviet Union with other communist countries, was discussed earlier in this essay. From the economic point of view, it is not at all certain whether East Central Europe today represents an asset or a burden for the USSR, but the idea of replacing one set of ties with another must have looked very tempting, and the Soviet leadership became committed to it. Nevertheless, it is characteristic of the new situation within COMECON that at the first sign of opposition to closer integration, the Soviet Union abandoned its efforts and, seeking to *faire bonne mine à mauvais jeu*, was apparently willing to withdraw from its previous position. The attitude of the Soviet Union toward the most recent policies of COMECON deserves a study of its own. This chapter will be limited to an analytical review of the attitudes and reactions of other communist countries both inside and outside COMECON to the organizations efforts to achieve closer economic integration.

China

The People's Republic of China has never officially joined COMECON, but it has participated in meetings of the COMECON Council and of other agencies by sending observers, beginning with the seventh session in May 1956.

China's reasons for remaining outside the organization are obscure. According to some writers, the slow growth of

COMECON, China's preoccupation with its own economic and social problems, and the growth of trade between the USSR and China did not make participation urgent or even necessary before 1957.⁸¹

It can be presumed, however, that the Chinese found nothing objectionable about COMECON until 1956. In September of that year, the Eighth Congress of the Chinese Communist Party endorsed the newly announced policy of specialization within COMECON. The Soviet Union also appeared to favor closer ties between China and the rest of the members, and various statements to that effect were made during 1958. But the official communiqué issued at the close of the eleventh COMECON Council session in May 1959 implied that no changes in membership provisions were contemplated at that time.⁸²

It is not clear what the role of COMECON was in the conflict that developed between the USSR and China. No reference to the organization can be found in the official Chinese account of the rift.⁸³ There is evidence that China did object, on roughly the same grounds as Romania, to the Soviet attempt at the June 1962 conference of Party leaders of COMECON countries to create a supranational coordinating authority. A letter sent on 14 June 1963 by the Central Committee of the Communist Party of China to the Central Committee of the Soviet Communist Party stated:

Every socialist country must rely mainly on itself for its construction. In accordance with its own concrete conditions, every socialist country must rely first of all on the diligent labour and

⁸¹ O. Hoeffding, "Sino-Soviet Economic Relations in Recent Years," in K. London, ed., *Unity and Contradiction* (New York: Praeger, 1962), p. 296. According to Khrushchev, op. cit., p. 4, "the difference in time in taking the road to socialism prevented [other socialist countries] from simultaneously entering into joint economic cooperation." The absence of Asian countries was also explained by the fact that if COMECON was to be treated as an answer to OEEC, it should be restricted to European countries. Knorre, op. cit., p. 4.

⁸² Hoeffding, op. cit., pp. 297-298.

⁸³ "The Origin and Development of the Differences Between the Leadership of CPSU and Ourselves," *Peking Review* (Peking), No. 37 (13 Sept. 1963), pp. 6-20.

talents of its own people, utilize all its available resources fully and in a planned way and bring all its potential into play in socialist construction. . . . If, proceeding only from its own partial interests, any socialist country unilaterally demands that other fraternal countries submit to its needs, and uses the pretext of opposing what they call "going it alone" and "nationalism," . . . then these are pure manifestations of national egoism.⁸⁴

The implications of this passage are fairly clear. At its present stage of development, China needs capital equipment above all. Until the early 1960s it was able to acquire such equipment from the COMECON countries—primarily from the USSR. The Soviet Union granted China considerable credits and also sent experts and technicians to provide technical advice. All this has now changed. Not only has the Soviet Union recalled its technicians, but the volume of trade between COMECON and China has dropped to just a fraction of its total in the late 1950s. There is little doubt that this reduction has hurt China and has seriously affected its rate of industrialization.⁸⁵ This also explains the Chinese emphasis on the necessity of mutual aid and cooperation among socialist countries.

In the statement cited above, the Chinese Communist Party went on record as opposed to the new COMECON policy of stressing specialization:

It is absolutely necessary for socialist countries to practise mutual economic assistance and cooperation and exchange. Such economic cooperation must be based on the principles of complete equality, mutual benefit and comradesly mutual assistance. It would be great power chauvinism to deny these basic principles and, in the name of "international division of labor" or "specialization" to impose one's will on others. . . .⁸⁶

It can be assumed that China's attitude stems from its awareness that, together with certain COMECON countries, it

⁸⁴ "A Proposal Concerning the General Line of the International Communist Movement," *Peking Review*, No. 30 (26 July 1963), p. 22.

⁸⁵ Simultaneously, some COMECON countries, for example Czechoslovakia, were seriously hurt by the cutback.

⁸⁶ "A Proposal Concerning the General Line of the International Communist Movement," *op. cit.*, p. 22.

would become a more or less permanent supplier of raw materials to the more advanced member countries. It is not surprising that the Chinese opposed the new policies announced in 1962.⁸⁷ Judging by its pronouncements concerning other aspects of intra-COMECON relations, China was aspiring if not for leadership, at least for equality with the USSR. If this was the case, it could not tolerate being relegated even temporarily to the ranks of countries producing raw materials. It appears to have found at least one European ally, Romania, voicing similar sentiments.

The Case of Romania

The first indication of Romania's dissatisfaction with COMECON was greeted with incredulity in both East and West. By all objective standards, Romania was the one country in the bloc least likely to harbor opposition to Soviet leadership and to the USSR's attempt to strengthen COMECON.

There was no indication that the leadership of the Romanian Communist Party would ever oppose Moscow's directives. The majority of members of the Party's Presidium could trace their antecedents to the Stalinist era and had managed to resist the tide of de-Stalinization that engulfed East Central Europe after 1956. With the possible exceptions of the Czechoslovak and East German Communist Parties, the Romanian Party had the reputation of being the most docile and obedient in the bloc. Until 1963, it showed no signs of independence or anti-Soviet feeling.

However, external appearances can be deceptive. To some extent the situation in Romania today resembles that of

⁸⁷ Even though China stopped attending COMECON Council sessions in late 1961, it is still, together with North Korea and North Vietnam, "taking part in the work of Council organs in connection with matters of interest to [it]." United Nations Doc. E/CONF.46/17, 8 Jan. 1964, p. 5. One of the matters of interest is nuclear research, and Chinese scientists were reported to be working at the COMECON Nuclear Research Establishment at Dubna in January 1964. *Pravda*, 22 Jan. 1964.

Yugoslavia in 1948. Tito, by imitating Stalin, was able to obtain absolute control over the Yugoslav Communist Party and thus to preclude a Soviet attempt to split the Party and create an anti-Tito opposition. In Romania, Party leader Gheorghiu-Dej managed to secure absolute obedience in much the same way. Thus the conflict between Romania and COMECON, like the Tito-Stalin conflict, appears to contain some strong nationalist and anti-Soviet undertones. In both instances, Party leaders seem to have been successful in mobilizing even the non-Party elements in their respective countries under the banner of national sovereignty and independence. Furthermore, at the time of their respective challenges to Soviet leadership, Romania and Yugoslavia were rather heavily dependent on economic ties with the Soviet Union and the other members of the organization.

Here, however, the analogy ends. Yugoslavia enjoyed some advantage over Romania by not having a common frontier with the USSR. But Romania appears to be in a much better position on several counts. First of all, the Soviet Union of 1964 is a far cry from Stalinist Russia insofar as the relationship with East Central European countries is concerned. Romania is also in better shape economically than Yugoslavia was in 1948, both in its level of development and in its endowment with natural resources, especially oil. It apparently has not so far encountered any serious agricultural problems. Although it is dependent on the COMECON countries for a number of key commodities, Romania is in a better position to seek alternative sources of supply and, more important, to pay. The attitude of the West, particularly of the United States, toward any sign of an independent policy emanating from East Central Europe (e.g., Poland since 1956, made the Romanian position still easier.

These advantages would not have counted for much had the Soviet Union not been engaged in the struggle for leadership in the communist world and unwilling or unable, for a variety of reasons, to bring Romania into line. The example of Albania, which has successfully managed to defy Soviet

leadership since 1961, must have been quite instructive for the Romanians.

Apparently Romania's decision to oppose the plan to establish a supranational authority in COMECON was taken at the March 1963 meeting of the Central Committee of the Romanian Communist Party. The resolution, published after the plenum, stated that Romania intended to continue on its present course of industrialization, emphasizing heavy industry as well as other branches of industry. Following the meeting, there were further signs in Romania of growing dissatisfaction with COMECON policies and of attempts to steer a more independent course.⁸⁸ It appears that the Soviet Union tried to persuade Romania either to accept the recommendations of COMECON, or at least not to advertise the growing split within the organization.⁸⁹ The Soviet pleas seem to have fallen on deaf ears and even to have added fuel to the explosive situation.⁹⁰

A delegation of the Romanian Communist Party visited Peking in February 1964 in an attempt to mediate between China and the USSR. In April 1964, the Central Committee of the Party again published a resolution spelling out its opposition to the proposed establishment of a COMECON coordinating authority.⁹¹ In May, talks between Romania

⁸⁸ The story of Romania's defiance of COMECON has been detailed elsewhere. See J. F. Brown, "Rumania Steps Out of Line," *Survey*, No. 49 (Oct. 1963), pp. 19-34; J. B. Thompson, "Rumania's Struggle With Comecon," *East Europe*, Vol. XIII (June 1964), pp. 2-9; R. L. Braham, "Rumania: Onto the Separate Path," *Problems of Communism*, Vol. XIII, No. 3 (May-June 1964), pp. 14-24. More recent developments are outlined in the *New York Times*, 6 July 1964.

⁸⁹ According to newspaper reports, during June and July 1963, Romania was visited by a number of high Soviet dignitaries, including Khrushchev, presumably for the purpose of bringing it back into the fold. *New York Times*, 6 June, 2 and 4 July 1963.

⁹⁰ Romania was the only country to send her ambassador back to Albania. Furthermore, it signed a trade agreement with China calling for a 10 per cent expansion of trade. Communist Party leader Gheorghiu-Dej was conspicuously absent from a gathering of COMECON leaders assembled in East Berlin to celebrate Ulbricht's seventieth birthday. *New York Times*, 30 May and 2 July 1963.

⁹¹ For excerpts of the resolution, see *East Europe*, Vol. XIII (June 1964), pp. 25-30.

and the United States took place in Washington and, simultaneously, a visit to France was announced.

What makes the Romanian case especially interesting is the fact that the April 1964 resolution opposing the strengthening of COMECON came at a time when it was fairly well known that the attempt had been abandoned several months before, in July 1963. Whether the resolution was simply the reflection of an aroused nationalism, or a bow in the direction of either China or the United States, or both, it did not make much sense. Possibly Romania overreached itself. This was evidently in Tito's mind when he met the Romanian Party leaders and warned them against going too far in their opposition to the Soviet Union.⁹² There is no doubt, however, that Romanian opposition to recent COMECON policies contributed significantly to their withdrawal. Whether this victory is temporary or permanent remains to be seen.

Other COMECON Members

All available evidence suggests that the other COMECON states—Bulgaria, Czechoslovakia, East Germany, Hungary, and Poland—are taking new policies in their stride, despite occasional opposition. The “supporters” of COMECON do not represent a homogeneous group. Czechoslovakia and East Germany can be described as economically advanced; Bulgaria can still be classified as an underdeveloped country; and Poland and Hungary rank somewhere in between.

The reaction of individual countries to policies such as increased specialization and coordination or to the introduction of multilateralism is governed by the level of their economic development. Thus Czechoslovakia and East Germany fully supported the concept of a “socialist international division of labor,” which obviously guaranteed them preferential treatment.⁹³ At the same time, however, Czechoslovakia voiced

⁹² *New York Times*, 26 June 1964.

⁹³ For an account of the Czechoslovak attitude, see Montias, “Uniformity and Diversity in the East European Future . . .,” *op. cit.*, pp. 10-15.

serious misgivings about the introduction of convertibility, while East Germany attempted to move even faster than the USSR in some respects.⁹⁴

Poland and Hungary have supported nearly every measure undertaken by COMECON. It was Premier Gomulka of Poland who complained about the slow progress of economic cooperation within COMECON. Poland was also responsible for the convening of the June 1962 conference of Party leaders from COMECON countries, which resulted in the call for greater coordination and specialization.⁹⁵

The generally positive attitudes of these two countries toward the COMECON "new look" may be ascribed to a number of factors. Probably the most important of these is that both countries stood a good chance to gain from the new blueprint for intra-COMECON specialization. The output of some industries might have been reduced or eliminated entirely, representing a serious loss in terms of past investment. But both countries seem to have been sophisticated enough to realize that continued production of commodities which could be obtained more cheaply from other COMECON countries was as a rule unprofitable. Unlike Bulgaria or Romania, Hungary and Poland had laid a fairly substantial foundation for sustained economic growth and were not as emotionally committed to the establishment of heavy industry.

A second factor is that both countries, Hungary particularly, are rather poorly endowed with natural resources, and both preferred to develop and emphasize the role of purveyor

⁹⁴ At the fourteenth COMECON Council session in East Berlin (Feb.-Mar. 1961) Ulbricht appeared in the role of a preceptor, criticizing other members and putting East Germany forward as the shining example of a country fully committed to COMECON. He was also first to mention the problem of standardizing industrial products. He had been trying to force East German industry to abandon prewar German norms and to accept Soviet standards, thus breaking another of the ties linking East and West Germany. Apparently he was rebuffed by representatives of the USSR, who were not eager to arrange the changeover at that particular time. *Neue Zürcher Zeitung* (Zurich), 6 Mar. 1961.

⁹⁵ According to some sources, Poland and Czechoslovakia actually resisted tighter integration at the June 1962 conference. Poland was responsible for the eventual adoption of a Soviet proposal to establish an Executive Committee without visible executive powers. *New York Times*, 17 June 1962.

of industrial products in exchange for raw materials and possibly food. Thus the very heavy expenditures usually associated with the discovery and development of domestic sources of raw materials could have been avoided, releasing funds for other purposes. The division of COMECON into countries specializing in the extraction of raw materials and those concentrating on manufacturing and processing was found to please Hungary and Poland almost as much as Czechoslovakia and East Germany.⁹⁶

A third factor that might have influenced the attitude of both countries is that a fairly high share of their trade is conducted with the "capitalist" world in general and with Common Market countries in particular. The eventual establishment of a common tariff by the EEC would hit Hungary and Poland hard, preventing them from selling their traditional exports, food and semi-manufactures, in return for industrial equipment. This would lead Hungary and Poland to turn to other COMECON countries as potential suppliers of badly needed machinery.

Political factors will undoubtedly play a role in the attitudes of individual COMECON members. East Germany is not likely to assert any degree of independence, in view of its special position in the bloc and its nearly total dependence on the Soviet Union for survival. Bulgaria and Czechoslovakia were, until recently, also ruled by individuals totally committed to the support of Soviet policies. On the surface, the situation in Hungary and Poland might appear quite different, since the Party leadership in both countries came to power in 1956 as a result of serious upheavals. Nevertheless,

⁹⁶ At the meeting of Party leaders of COMECON countries in Moscow in May 1958, Czechoslovakia and East Germany attempted to force Poland to specialize only in coal and steel, leaving machinery production to them. Possibly this was in revenge for the cutback in export of Polish coal to both countries in 1956-57. The USSR reportedly took Poland's side. *New York Times*, 25 May 1958. It was also reported that the USSR and Poland felt that, in view of its high level of development, Czechoslovakia was not doing enough to foster COMECON integration. East Germany was advised to abandon aircraft production and expansion of the Baltic port of Rostock, while the capacity of Polish ports remained under-utilized. *Neue Zürcher Zeitung*, 25 May 1958.

the cautious attitude of the USSR toward both countries in the last eight years and its willingness to allow them considerable latitude in various facets of political, social, and economic life, has apparently paid off handsomely. Premiers Kadar and Gomulka can be counted among Khrushchev's staunchest supporters.

In the summer of 1964 there was little indication that the example of Romania might be followed by any of the other COMECON members. It should be kept in mind, however, that only a year or two ago Romania's defection was totally unexpected.⁹⁷

Yugoslavia

In January 1949, Yugoslavia was interested in COMECON membership and expressed its willingness to join if the Cominform resolution of June 1948 were rescinded.⁹⁸ There is little doubt that Yugoslavia was very eager to maintain close economic ties with COMECON countries in view of its hostile policy toward the West and its dependence on imports from COMECON to fulfill its ambitious five-year plan. However, Yugoslavia was not at that time invited to join COMECON, and in the course of the next seven years, its commercial relations with the organization were reduced to a minimum. After the Khrushchev-Tito reconciliation in 1955, Yugoslavia was invited to participate as an observer in COMECON Council sessions and did so in 1956 and 1957. It ceased to participate in COMECON activities when the second Soviet-Yugoslav controversy began in 1958.⁹⁹

During the past year, however, there were reports that

⁹⁷ It is not entirely inconceivable that the next two opponents of COMECON integration might be Poland and Hungary. In May 1963, some two months after the first indication of Romania's opposition, Kadar and Gomulka met to discuss COMECON affairs. *New York Times*, 21 May 1963. Judging by statements appearing in the Polish press, there is relatively little enthusiasm for closer coordination, and official statistics indicate that Hungarian trade with the West has been growing steadily since 1958.

⁹⁸ Statement by Foreign Minister Kardelj on 2 February 1949. *New York Times*, 3 Feb. 1949.

⁹⁹ During 1959 and 1960 Yugoslavia tried to regain its previous status without success. Pryor, *The Communist Foreign Trade System*, op. cit., p. 208.

Yugoslavia might once again obtain COMECON observer status.¹⁰⁰ The USSR seemed to be eager to establish the closest possible links, and Yugoslavia warmly endorsed the idea. With the EEC approaching the final stages of economic integration in the West and COMECON showing signs of progress in the East, Yugoslavia was becoming economically isolated. While it might have preferred to establish closer ties with the EEC after the pattern set by Greece and Iran, this was not a real possibility. Rejoining COMECON even on a limited basis thus appeared preferable to isolation. In addition, growing political rapprochement between the USSR and Yugoslavia has recently attained great intensity.¹⁰¹ In view of this, Yugoslavia may become a full member of COMECON, particularly if, after Tito's death or retirement, the Soviet rather than the Western faction within the Yugoslav Communist Party leadership comes to power.

Attitudes Toward the EEC

As the European Economic Community gained increasing vitality, COMECON's tactics consisted mainly of virulent attacks on the Common Market combined occasionally with grudging admiration of its successes.¹⁰² COMECON objections to the EEC are based on both political and economic grounds. From the political point of view, it can be assumed that the Soviet Union, in particular, does not care to see a strong and prosperous Western Europe, primarily because it could become a much more formidable opponent either singly or in alliance with the United States. Even though Stalin was and still is occasionally called the "unifier of

¹⁰⁰ *New York Times*, 28 Aug. and 4 Sept. 1963. According to later reports, Yugoslavia was to receive permission in the second half of 1964 to attend the meetings of five COMECON Standing Commissions. *New York Times*, 2 July 1964.

¹⁰¹ In June 1964, Tito appeared in the role of a *quasi-postillon d'amour* when he attempted to mediate between the USSR and Romania. His talks with Khrushchev during the same month and his state visit to Poland are indicative of the progressive rapprochement.

¹⁰² For an example of this attitude, see Khrushchev, *op. cit.*, pp. 6-8.

Europe," the fact remains that until the late 1950s one could hardly speak of a united Western Europe. After this period, however, considerable progress was made in the direction of unity, and Soviet apprehensions began to grow.¹⁰³

Another COMECON objection to the Common Market is the realization that a prosperous Western Europe might serve as a magnet for the uncommitted and underdeveloped countries of Asia and Africa. It is not inconceivable that the recent increase in COMECON aid to underdeveloped countries is an attempt to neutralize that influence. The latest Soviet loans to Algeria and Egypt, announced in 1964, point in that direction.

Some COMECON members also feel apprehensive about the future of their trade with the Common Market. Actually, it is still too early to say anything precise about what the effects of the Common Market on COMECON trade will be by 1970, when all tariff barriers within the EEC will have been removed. Fairly high tariffs as well as quantitative restrictions may be established for some agricultural commodities.¹⁰⁴ Hungary, Poland, and Romania—all exporters of considerable quantities of food to some of the EEC countries, notably West Germany—would be the COMECON members most severely affected. One might even speculate that, since France appears to be able to supply most of the food needed by the EEC countries, imports of foodstuffs from COMECON by these countries might be reduced to almost nothing. The USSR, on the other hand, stands less chance of being hurt, since its exports to the EEC countries consist primarily of raw materials, on which the duty will not be very high.

Those COMECON members who are not Contracting

¹⁰³ EFTA was not as strongly attacked as the EEC. Apparently EFTA was considered a potential source of European neutralism; it contributed to a split in Europe, and its chances of developing into a stronger association were recognized as rather poor. H. Mendershausen, *The European Community and the Bloc* (Santa Monica: RAND Corp., Nov. 1962), p. 9.

¹⁰⁴ There is no doubt that COMECON statements welcoming the United Nations Conference on Trade and Development and calling for universal abolition of restrictions on trade reflected an effort to affect the quota restrictions contemplated by the Common Market.

Parties to GATT and are not participating in the present Kennedy Round negotiations at Geneva will find themselves in a particularly difficult situation with respect to the EEC by 1970.¹⁰⁵ It is therefore not surprising that COMECON countries have called unconditional most-favored-nation treatment "a basic element in international trade relations" and have complained that Common Market and EFTA members have refused to extend most-favored-nation treatment to individual COMECON members who had been guaranteed such treatment under bilateral agreements.¹⁰⁶ In answer, the EEC and EFTA have asserted that international law, multi-lateral conventional law (e.g., GATT), and bilateral treaties do not obligate customs unions to extend concessions under this rule. Hence, according to Common Market sources, future imports from COMECON and other state-trading countries "would be governed by the special features of this trade and not by the intention of applying to these countries a treatment less favorable than that applied to other countries."¹⁰⁷ The USSR and other COMECON countries refuse to recognize the Common Market as a customs union or the Common Market Commission as the bargaining agent for EEC countries. The Commission's offer to grant tariff concessions to the Soviet Union is contingent upon recognition and remains unanswered.¹⁰⁸

¹⁰⁵ Nonmembers of the EEC who belong to GATT will gain access to the Common Market through the Kennedy Round. Czechoslovakia is a full member of GATT, and Poland achieved associate membership in 1960. They do not, however, enjoy all GATT's benefits (e.g., the most-favored-nation clause) since, as state-trading countries, they are unable to fulfill their obligations under the provisions of GATT. According to recent reports, Romania has expressed interest in joining GATT. *New York Times*, 9 June 1964. Poland applied for permission to participate in the Kennedy Round talks. Its application was supported by the United States and opposed by Britain, which finds it more profitable to continue the present system of bilateral trading with Poland. *New York Times*, 6 May 1964.

¹⁰⁶ United Nations Doc. E/CONF.46/PC/47, Annex A, 18 Dec. 1963, pp. 7-8.

¹⁰⁷ *Ibid.*, p. 10.

¹⁰⁸ In September 1963, the EEC Council of Ministers decided to grant tariff concessions to the USSR in return for the recognition of EEC as a trading unit. The concessions were to affect the duty on vodka (reducing it to the same level as whiskey), caviar, and crab meat. *European Community*. No. 66 (1963), p. 2, and *New York Times*, 27 Sept. 1963. There are in-

There is not, at this writing, a definite Common Market policy toward COMECON, but time is running short.¹⁰⁹ Some trade agreements have been signed between various COMECON members and the EEC countries, particularly West Germany. After 1970, however, the EEC will probably have a common trade policy, and bilateral trade agreements will come to an end. The Common Market Commission recently recommended that by 31 December 1964, the six member states of the EEC should insist on inserting a safeguard clause in their bilateral agreements with state-trading countries. Such a clause would permit Common Market members to take appropriate measures against any disruptions in their economies caused by imports from COMECON.¹¹⁰

Once the EEC establishes a common trade policy, its Commission will become the exclusive bargaining agent of member countries vis-à-vis COMECON. Consequently, the USSR and other COMECON states would be unable to play off the EEC countries against each other in order to obtain preferential treatment.¹¹¹

There are, however, some advantages accruing to COMECON from the establishment of the EEC. For example, the emergence of a common tariff might force many countries that have thus far exported primarily to Western Europe to look for other markets. This is particularly true of the less developed countries, which might turn to COMECON. Some

dications that the Soviet Union is contemplating recognition of EEC. *New York Times*, 6 May 1964. A statement issued in Brussels in March 1963 by the Communist Parties of the six EEC countries and of Britain also favored establishment of commercial relations between EEC and COMECON, with the EEC as an agent for the six Western European countries. Council of Europe, Consultative Assembly, *Report on Commercial Relations Between Member States of the Council of Europe and the Countries of Central and Eastern Europe*, Document 1676, 30 Sept. 1963, p. 12.

¹⁰⁹ EEC Doc. I/COM (64) /53, 26 Feb. 1964.

¹¹⁰ "The European Community and the Bloc," Address by F. T. Van Dyk, Deputy Director, European Community Information Service in Washington, to the American Management Association meeting, 22 May 1964. Members of the EEC are not particularly enthusiastic about the clause because they are afraid that it may require them to grant concessions.

¹¹¹ Mendershausen, *op. cit.*, p. 12. The USSR and Hungary introduced new tariffs during 1961 as a bargaining tool vis-à-vis the Common Market.

authorities feel, however, that the extent of this trade diversion would not be significant.¹¹²

In many respects, COMECON's position with regard to the Common Market may be more favorable than that of many other countries. It is clear that a decline in trade would create difficulties on both the import and export sides. Nevertheless, because of the nature of their economic organization, COMECON countries are relatively better equipped to deal with problems caused by the emergence of the Common Market. They are able to exercise full control over their foreign trade and to absorb losses occasioned by the higher common tariff imposed by the EEC.

It is not at all clear to what extent the success of the Common Market contributed to the recent attempts to strengthen economic integration within COMECON. Some Western observers have not hesitated to claim that "integration in Western Europe is producing integration by induction in Eastern Europe."¹¹³ Although the success of the EEC may have been instrumental in this respect, many other factors were involved which contributed as much, if not more, toward closer integration of COMECON economies. It can be argued that even if the Common Market had failed, closer integration of COMECON economies would still have come about sooner or later.

The fallacy of comparing COMECON and the Common Market also deserves mention. As one authority on the subject puts it, at least three considerations make a comparison rather strained. The first is that the relationship between the USSR and the rest of COMECON does not have a counterpart in Western Europe. Second, attempts at economic integration started much earlier in Western Europe than in East Central Europe. Finally, it is more difficult to integrate countries with planned economies than those with free markets.¹¹⁴

¹¹² *Ibid.*, pp. 15-16.

¹¹³ Shulman, *op. cit.*, p. 660.

¹¹⁴ Pryor, "Forms of Economic Cooperation in the European Communist Bloc: A Survey," *op. cit.*, p. 182.

Conclusions

By all objective standards it can be argued that the process of economic integration in East Central Europe in which COMECON is intended to play a crucial role has been rather slow. Some of the reasons for this have been discussed, and a number of studies have treated this subject in more detail.¹¹⁵

Among the obstacles encountered by COMECON, the chief one today appears to be the desire of many members to protect their national sovereignty and interests. The examples of Hungary, Poland, and Yugoslavia in the past, and of Albania, China, and Romania more recently, indicate that nationalism is by no means dead and may actually be more vital than ever. The orientation of these countries stems primarily from the fact that, in the past, the Soviet Union, by virtue of its overwhelming superiority, was able to impose its will upon others in every sphere of political, economic, and social life. Even if the present relationship between Moscow and other members of COMECON differs greatly from the Stalinist period, old memories linger and make any attempt, however rational, to achieve greater integration under Soviet leadership a rather touchy subject. Consequently,

¹¹⁵ See E. Neuberger, "Soviet Economic Integration: Some Suggested Explanations for Slow Progress," *op. cit.*, and "International Division of Labor in CEMA: Limited Regret Strategy," *op. cit.* For an earlier attempt, see A. Zauberman, "Economic Integration: Problems and Prospects," *Problems of Communism*, Vol. VIII, No. 4 (July-Aug. 1959), pp. 23-29. One of the most interesting discussions of the economic integration of East Central Europe can be found in R. Krengel, "Die wirtschaftlichen Integrationsbestrebungen und Integrationshindernisse im Ostblock," in E. Boettcher, ed., *Ostblock, EWG und Entwicklungsländer* (Stuttgart: W. Kohlhammer Verlag, 1963), pp. 51-79. For a study of purely economic obstacles to closer integration, see R. Bird, "Problems of Harmonization in Soviet-type Economies: The Case of COMECON," Columbia University Dept. of Economics, Feb. 1964. Mimeographed.

measures that are perfectly logical and legitimate from the economic point of view (for example, international specialization or multilateral trade) are greeted with suspicion and in some instances openly resisted.

Other factors making progress toward integration more difficult are the attachment to autarky and the resultant distrust of foreign trade, which are inherent in the nature of planned economies. The ideological commitment to the development of heavy industry at any cost makes specialization rather meaningless. The absence of a system of economic accounting based on rational cost and price data makes progress toward better utilization of resources almost impossible.

No rapid advance in economic integration within COMECON can therefore be expected in the immediate future. This does not mean that the present arrangement is here to stay. It simply means that further integration will probably be painfully slow and cumbersome. Sovereignty will be protected by voluntary bilateral agreements. The commitment to autarky and heavy industry, as well as distrust of foreign trade, may gradually undergo alteration as a result of the revisions taking place almost daily within the ideological framework. Even a comprehensive, across-the-board price reform may eventually be carried out within COMECON. These changes would give the organization a first chance to show its potential.

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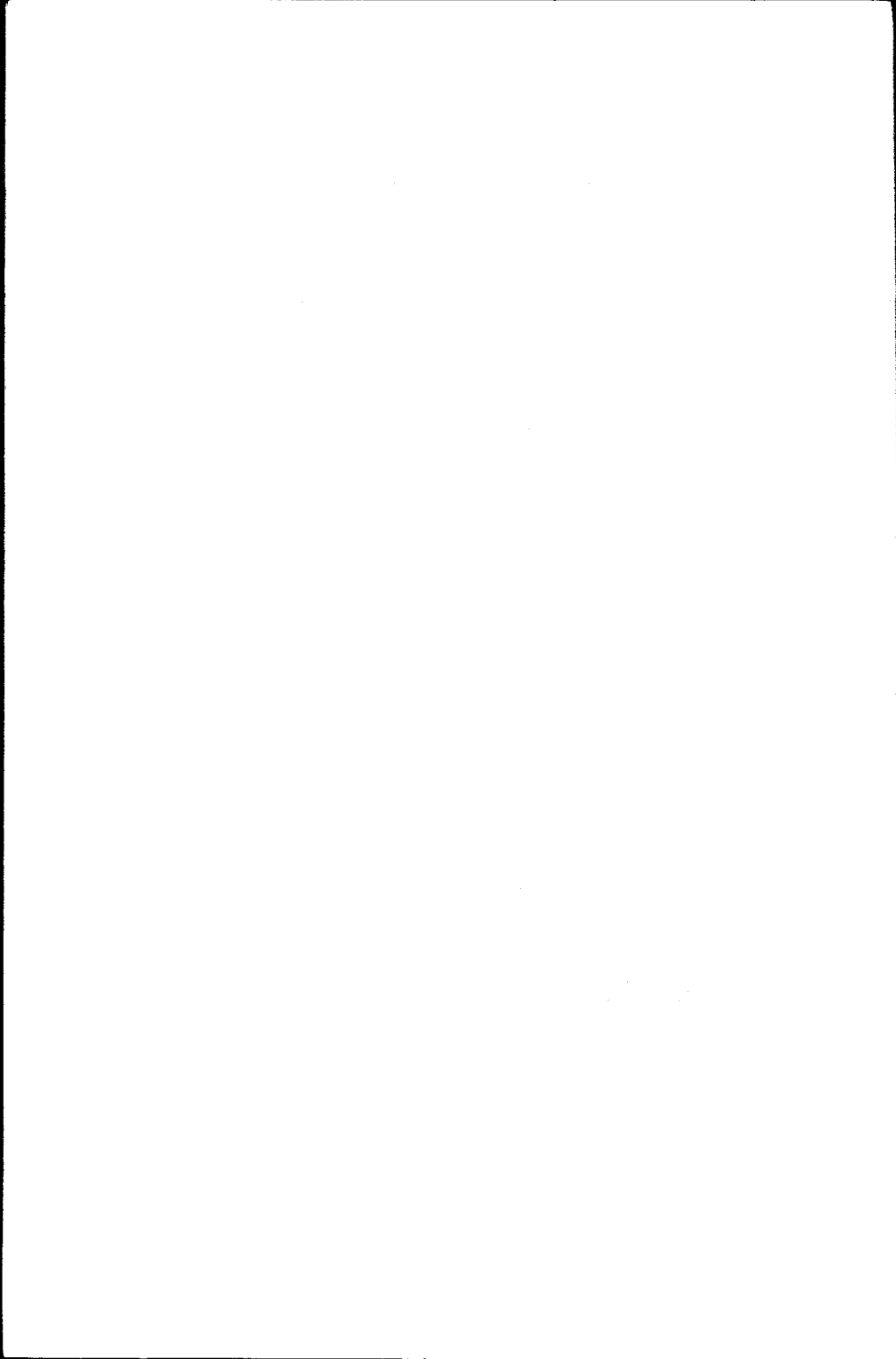
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