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Paper on the Council for Mutual Economic Assistance (COMECON), submitted by
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Since its foundation the Council of Europe has devoted a considerable part of its work to the possibilities of European economic association. The creation of the "Six" and of the "Seven" and the desirability to achieve an overall multilateral association have given rise to some of the most important debates in the Consultative Assembly.

The trend towards economic association is not peculiar to the Western European countries. All over the world there are tendencies in the same direction, so far fulfilled to a smaller or greater degree. It must be of special interest to this forum for European affairs that the development of economic association in the part of Europe not represented inside the Council of Europe should be studied. In view of the fact that there has been very little published about this question, the Committee on Non-Represented Nations believes it useful to present some basic facts to the Assembly.

Background

The Council for Mutual Economic Assistance (CMEA or, more frequently, Comecon (1)) was launched in January 1949, at a

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(1) The Russian name Sovjet Ekonomicheskoy Vzaïmopomoshchi (SEV) is also translated as The Council of Economic Mutual Assistance and abbreviated CEMA.

rather difficult moment for the economy of the Eastern bloc. The war, with its considerable devastation, had dislocated economic life and the productive capacity of both the Soviet Union and the so-called satellites. Furthermore, relations with the former Allies had changed for the worse. The cold war was starting, restrictions on export from the Western world eastwards were brought into force, and there was a lack of credits. Therefore every step which could strengthen the bonds of solidarity between the European communist countries, sustain the new régimes, facilitate economic progress and at the same time politically bring those countries more together, was naturally highly desirable. The creation of Comecon was also to a certain extent regarded as a counter-move against the Marshall Plan, which came into being in April 1948 and was felt by the Soviet Union to be an unfriendly organisation despite the fact that invitations to participate in it were extended to Eastern European countries and that Poland and Czechoslovakia at first gave a preliminary acceptance.

History

The initial members of Comecon were Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the U.S.S.R. Albania joined in February 1949 and the so-called "German Democratic Republic" in September 1950. The Yugoslavs applied for admission in 1949 but were turned down.

The first Plenary Session was held in Moscow in April 1949. The Secretariat was organised and matters of foreign trade were discussed. At the second Plenary Session in Sofia in August 1949 the subject for deliberation was a wider exchange of technical and scientific information, and the Council is said to have recommended the signing of bilateral treaties setting up joint technical information exchange committees between the member nations. The communiqué after the third Plenum in Moscow in November 1950 only mentions the discussion of foreign trade. During this early period the Council principally recommended the signing of bilateral long-term trade treaties. From November 1950 to 1954 there was no plenary session, but a certain amount of activity continued to develop. In 1951 the Secretariat recommended certain standards to be inserted in all trade agreements between the member nations, and in 1952 a standard nomenclature for foreign trade and foreign trade statistics was introduced. But it was not until the fourth Plenum in

in March 1954, about a year after Stalin's death, and the fifth in June the same year, both in Moscow, that a coordination of the economic plans of member States was anticipated. Principles of specialisation came to the fore in order to avoid shortages and over-production in the specialised industries in the different member countries. In Soviet Russia, for example, there was a certain lack of consumers' products as heavy industry had the priority, and this was only changed for a short period during the Malenkov régime. The new general line in 1955 emphasised the importance of heavy industry without neglecting agriculture and consumers' industries. It is natural that this required closer economic planning.

It was in 1955 that this greater cooperation began to take a more concrete form. All the members except Bulgaria indicated that they were prepared to synchronise their new long-term plans. With the Sixth Soviet Five-Year Plan (1956-1960), the new plans were to be coordinated on the basis of new "international division of labour" and national resources were to be taken into account. The oil industry in Rumania, the coal industry and certain branches of chemical industry in Poland, the aluminium industry in Czechoslovakia and in Eastern Germany, would be given support. Nevertheless, certain difficulties arose in this scheme for combining separate national plans. At the sixth Plenum in Budapest in December 1955 the Council examined the system of five-year plans which had been adopted and their adjustment in relation to one another. Within the plans themselves were difficulties such as insufficient supplies of fuel and raw materials. The problem of filling this gap made evident conflicts of national interests which are still not surmounted. The sixth session also established the first branch commissions for different economic sectors. At the seventh Plenum in East Berlin in May 1956, the first standing commissions were set up and that meeting was also the first to be attended by Chinese and Yugoslav observers. But the political events in Hungary and Poland in late 1956 upset plans for coordination and the eighth Plenum in Warsaw in June 1957 was devoted to rebuilding what had been demolished and concentrated on important questions in the raw materials field. It also dealt with the Polish coal problem in order to ensure loans for Poland for capital investment in the coal industry.

There was great activity during the rest of 1957. Two important conferences took place in September: a conference of the Deputy Representatives to Comecon and a meeting in Prague of the Chairmen of the State-planning commissions of the member countries. Questions in connection with the new long-term plan of the U.S.S.R. are said to have been on the agenda, since the decision to abandon the old plan of 1956-60 and replace it by a seven-year plan for 1959-65 was announced in September. The procedure for the coordination of the fifteen-year plans which are to end in 1975 was also discussed. At a conference in Moscow in May 1958 attended by First Party Secretaries and Prime Ministers of Comecon States and by high level observers from all the other communist countries except Yugoslavia, the coordination of the fifteen-year plans and specific problems, such as the supply of chemicals and agricultural materials, were deliberated upon. At the ninth Plenary Session in Bucharest in June 1958, the tenth in Prague in December the same year, and the eleventh in Tirane in May 1959, the main themes were the problem of raw materials and coordination of chemicals production in the member States up to 1975. It was thought that not enough attention had been paid to the problem of development of the important raw material sectors. The chemicals plan came to be the first long-term industrial plan and testified to the active nature of the standing commissions. At the eleventh Plenum the Council also made recommendations for the completion of a project to link the high tension electricity networks of the various countries together into a single network.

Some very important decisions were taken at the twelfth Plenary Session in Sofia in December 1959 concerning Comecon as well as its future work. These decisions are dealt with below under the respective titles. But it can be said that the general idea was to make the organisation more effective. One of the most important tasks of Comecon will now be the building of pipelines from the petroleum basin in Western Ural to Eastern Germany, Czechoslovakia and Hungary. Large refineries are to be built in the countries where these pipelines are to end, and in Poland. The whole system is expected to be finished by 1963.

Present organisation

Formal statutes were adopted only after ten years of existence of Comecon, namely at the Sofia meeting in December 1959.

The structure of Comecon is as follows:

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1. The Council consists of higher governmental representatives of the member States, often with Party functionaries as advisers. Meetings rotate amongst the capitals of the member countries and the representative of the host country is chairman. The acts of the Council are normally in the form of recommendations to the governments. Governmental agreements can also be concluded. Decisions of the Council must be unanimous. The Council meets at least once a year.

2. The Deputy Representatives of Comecon, with headquarters in Moscow. They are empowered to take current executive decisions and are in more frequent session than the Council. The Deputy Representatives meet at least twice a month.

3. The Secretariat, which is permanently located in Moscow. The Secretary-General has to be a Soviet citizen.

4. Standing working commissions. Since 1954, several standing commissions have been set up. Hitherto, there have been fifteen working commissions, with their seats in the different capitals of the member States. These commissions are on Agriculture, Electric Power, Coal, Machinery, Petroleum and Gas, Ferrous Metals, Non-Ferrous Metals, Chemicals, Transport, Construction, Wood, Cellulose and Light Industry, Complete Factories, Geology, Food and Consumer Goods, and General Economics. The number of working commissions is to be increased to seventeen. Sub-commissions may be set up, for example the following are dependent on the Machinery Commission: Tools, Automobiles, Shipbuilding, and Electro-Technics. The sub-commissions meet in various places.

5. Controlling organs are foreseen in the decisions taken at Sofia in December 1959. They will be linked to every standing commission. Their members are to have far-reaching powers and to be able to intervene at all stages in the production in member States and suggest changes and improvements. They will, furthermore, deal with the coordination of investments and watch over the production plans which are to be allotted amongst member States. The members of these control committees will be appointed and recalled by the Deputy Representatives, which will make them more independent of individual Governments. It is presumed that most control committees will start functioning towards the end of 1960.

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6. The organisation is expressly said to be European but observers from the Asian peoples' democracies have been admitted from China since 1956, from North Korea since 1957 and from North Vietnam and Outer Mongolia since 1958. The observers not only attend the Council sessions but also the more important committee meetings. Yugoslavia was not accepted as a member in 1949 but was allowed to send observers to some meetings in 1956-57.

Significance of Comecon and Prospects for the Future

It seems likely that planning inside Comecon has played a part in furthering the considerable growth of production recorded for the Comecon region as a whole. The division of labour between its participants may have contributed to the higher industrial efficiency undoubtedly achieved.

Whether this overall growth of production and of internal bloc trade has involved unfair advancement for one or more of the partners at the cost of others is a problem which has been searchingly discussed. To give certain evidence in the one or the other direction is very hard. A part of the problem has been examined by the American scholar Horst Mendershausen, who on the basis of Soviet trade data has come to the conclusion that the Soviet Union during the years under review (1955-58) underpaid its partners in Comecon for their exports to the Soviet Union at the same time as they had to overpay the Soviet Union for their imports.⁽¹⁾ On the other hand, the Secretariat of the United Nations Economic Commission for Europe stated recently: "It seems that .. the Soviet Union .. is showing increasing willingness to develop a trade pattern which benefits its trading partners in the area."⁽²⁾ Evidently it is very difficult to get any opinion about "fair prices" in socialist societies, where market prices do not count ⁽³⁾.

(1) The studies have been published in the Review of Economics and Statistics, Harvard University Press, Cambridge, Mass., U.S.A., XLI (May 1959), resp. XLII (May 1960).

(2) 1959 Economic Survey of Europe, Geneva 1960, Chapter III, page 48.

(3) This difficulty makes itself felt also to Communist planners. According to the Polish newspaper Tribuna Ludu of 18th November 1956, the Polish Vice-Chairman of the Council of Ministers, Mr. Jeroszewicz, judged the system in the following words: "The economic system which has prevailed hitherto is an abracadabra about prices, costs and wages. No wise man can tell what is profitable or not".

Another interesting point as regards the results achieved through Comecon planning is the high rate of dependence on the major partner, i.e., the Soviet Union, which arises out of the increasing specialisation in the production of the smaller partners. There have been reports of cases when spokesmen of smaller countries raised serious objections against plans for dropping established lines of production. Such "nationalistic" thinking, however, usually has been turned down and only the Soviet Union has been left with an all-round production. The political consequences - decreasing political "sovereignty" as a result of closer economic dependence - are quite obvious and seem to be one of the matters under dispute, holding Yugoslavia outside Comecon.

To these considerations, which relate to internal Comecon relations, can be added the fact that the higher rate of interdependence of the Comecon members has its counterpart in the growing ~~sub~~archy of the bloc and decreasing rate of exchange of goods with Western Europe and the rest of the world. It is evident that such a development cannot be said to be very promising for the realisation of a division of labour and exchange of goods either on the European or on a worldwide scale (1).

The intensification of the work of Comecon, which can be noted for the last few years, is evidently to be followed up. In 1959 there was a synchronisation and coordination of the national long-term plans of the Comecon members laying the ground for a further growth of the economic potential of the bloc.

(1) Figures can be cited for instance out of 1959 Economic Survey of Europe, Geneva 1960, Chapter III, page 45 and elsewhere.