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COMMITTEE ON NON-REPRESENTED NATIONS

The Council of Mutual Economic Assistance at Work (Comecon)

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The Council of Mutual Economic Assistance, (C.M.E.A.) is one of the principal organs with which the Soviet Union exercises its control over the economic activities of the Soviet orbit. It was founded some ten years ago, in January 1949, as a counter to the Marshall Plan which had attracted several countries of Eastern Europe and distracted them from allegiance to the Soviet Union. The founder members, Soviet Russia, Poland, Czechoslovakia, Hungary, Roumania and Bulgaria were joined by Albania and Eastern Germany in February 1949 and September 1950 respectively. Subsequently representatives of Communist China, Mongolia, North Korea and North Vietnam were adopted as observers. Yugoslavia also attended sessions of C.M.E.A. on occasion.

The Council was set up originally "to strengthen the economic collaboration of the socialist countries and to co-ordinate their economic development on the basis of equal rights of all member States by organising the exchange of economic and technical experience and rendering mutual aid in raw materials

food and equipment⁴. (1) However, according to Jedrychowski, the head of the Polish Planning Commission "in the initial phase of its existence C.M.E.A. limited its activities to the sphere of trade relations and took a marginal interest only in problems of production". (2) During this era it mainly served, side by side with Soviet reparations and Joint Stock Companies, the immediate reconstruction of the Soviet Union. Production and trade were largely treated as instruments of a policy of self-sufficiency with the result that by 1953 trade with the rest of the world had become insignificant. Some four-fifths of total bloc exports represented intra-orbit trade transactions. Soviet Russia's share amounted to half the volume of East European foreign trade. Prices operative in intra-orbit trade were generally determined by the Soviet Union. Apart from arbitrary price fixing the re-valuation of the rouble introduced in March 1950 put the countries of Eastern Europe at a marked disadvantage vis-à-vis the Soviet Union.

These practices were replaced after Stalin's death by a more flexible policy. Reparations were terminated, Joint Stock Companies dissolved and export prices based on those of the world commodity markets. Duplication of industrial effort and national autarky were criticised, and C.M.E.A. was charged with the co-ordination of economic planning in the interest of self-sufficiency of the bloc instead of its members. At the Sixth Session of the Council held in December, 1955, final touches were given to the co-ordination of the Five Year Plans which were to commence throughout the orbit (except in Bulgaria) in 1956.

The Seventh Session of the Council was held, for the first time, in East Berlin (May 1956). According to the Soviet economist Bogomolov, who can be considered an authoritative writer in these matters, it represented the first serious attempt at intra-orbit co-ordination of economic development. Some twelve standing commissions were constituted to deal with the following subjects :-

1.	Coal	Seat :	Warsaw
2.	Oil and Gas	"	Bucharest
3.	Electricity	"	Moscow
4.	Ferrous Metals	"	Moscow
5.	Non-ferrous metals	"	Budapest

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(1) Vneshnaya Torgovlya SSSR s sotsialisticheskimi Stranami Moscow, 1957.

(2) Tribuna Ludu, 9th November, 1957.

6..	Engineering	Seat :	Prague
7.	Chemical Industry	"	East Berlin
8.	Agriculture	"	Sofia
9.	Factory Timber Pulp Cellulose and Paper	"	Budapest
10.	Foreign Trade	"	Moscow
11.	Light Industry and Food	"	Prague
12.	Complete Factory Instal- lations	"	?

In addition provision seems to have been made for co-ordination in geological surveys, but it is not certain whether this was put in the hands of a standing commission.

At the same time priorities of production were distributed throughout the orbit. These were based largely on existing industrial patterns and they took note of national susceptibilities. But certain restrictions on types of production and allocation of materials were exercised. The following priorities among others were agreed upon :

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| 1. | Soviet Union | - | |
| 2. | Eastern Germany | - | precision instruments,
electrical equipment; |
| 3. | Poland | - | rolling stock, mining
equipment; |
| 4. | Czechoslovakia | - | motor cars, engines; |
| 5. | Hungary | - | Diesel engines, lorries; |
| 6. | Roumania | - | oil pipes, drilling equipment; |
| 7. | Bulgaria | - | non-ferrous metals. |

Simultaneously, a certain degree of specialisation was aimed at in specific industries, e.g. in the production of turbines the Soviet Union reserved the right to build units above 100,000 kw, those built in Eastern Germany and Czechoslovakia ranging from 50 to 100,000 kw, and those produced in Poland and Hungary being up to 50,000 kw. Finally, certain standards of production were set and the numbers of different types were reduced, e.g. for the production of machine tools made in Poland from 40 to 35, in Czechoslovakia from 62 to 42 and in Hungary from 64 to 56.

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Before these measures could become operative, C.M.E.A. was made ineffective as a result of the political events of October 1956 which disrupted for a time production, trade and communications and thus intra-orbit co-ordination. The Soviet Union felt obliged to concede the principles of national sovereignty and economic equality within C.M.E.A. At the time of the Eighth Session of the Council held in June, 1957 at Warsaw the dislocations caused by the Hungarian rising had been overcome. At this session member countries were recommended to draw up long-term plans. In September 1957 the Soviet Sixth Five Year Plan (1956-1960) was shelved and it was announced that a Seven Year Plan (1959-1965) would take its place. The long-term plans of several countries took their lead from the Soviet Union. During the Eighth Session an agreement was signed on multilateral clearing between member States, the object being to eliminate balance of payments difficulties in intra-orbit trade. The problems of multilateral clearing were discussed at a meeting of Bloc central bankers which took place in Prague in May 1958. A multilateral payments scheme, with the Soviet State Bank as a Clearing centre, is now in operation. Trade balances can be transferred into a multilateral rouble account on which members of C.M.E.A. are entitled to draw to the extent of three per cent of their total intra-orbit trade.

In the sphere of production the session of the Council held in Warsaw placed special importance on the improvement in the supplies of fuel and power, ferrous and non-ferrous metals and in rail and water transport. Following the meeting the standing commissions, sub-committees and working parties set up under the Council developed intensive activities in the interest of increased co-ordination, specialisation, standardisation and integration. According to Ostrovityanov this led inter alia to increased development in the coal and chemical industries of Poland; the aluminium and machine tool industries of Hungary; the oil and chemical industries of Roumania, and the engineering and ship-building industries of Eastern Germany. (1) But whereas previously intra-orbit planning considered merely five year periods, the Council regarded it now as desirable to operate in terms of long-range plans covering periods of ten to fifteen years.

Matters of policy were involved here which were outside the province of C.M.E.A. officials and technical ministers of member countries. The political heads of the Communist parties represented in C.M.E.A. were summoned to Moscow in May 1958 and an extraordinary session was held lasting four days. Matters of principle were considered rather than technical details, but the

(1) Pravda, 14th October 1957.

installation of an intra-orbit oil pipeline may have been discussed and decided upon. The meeting was a turning point in Bloc economic affairs and probably marked the high tide of Russian dissatisfaction with progress in co-ordination. The communiqué released after the session did in fact reveal a certain dissatisfaction among its attendants with the lack of urgency in the progress of co-ordination. In the interest of reduced costs of production, special stress was laid on the need for co-ordination in long-term planning and for specialisation in engineering.

The decisions of the special meeting were endorsed at the Ninth Session of the Council held at Bucharest in June 1958. Three new standing commissions were created for (a) economic co-ordination (seat unknown), (b) technical exchange in construction projects (East Berlin), and (c) co-operation in matters of transport (Warsaw) beyond that of the railways where it had been in operation for some years. Reference was also made to further specialisation in the engineering industries of the bloc. Finally, in line with recent changes in the administration of industry in the Soviet Union a certain measure of decentralised operation was to take the place of central direction which had not proved fully satisfactory in the past.

Whereas the authority of the Council was not weakened in any way by this measure, bilateral discussions were furthered among nearly all member countries of C.M.E.A. Details of a bilateral commission formed at the end of 1958 between, for example, Poland and Bulgaria were stated to include co-ordination of individual branches of the economy of the two countries, expansion of co-operation and specialisation in production, development of scientific technical co-operation, collaboration in the expansion of trade exchange and services, and the establishment of direct co-operation between relevant enterprises and organisations. According to Bogomolov, the Soviet Union carried out bilateral negotiations of this kind in the course of its preparations of the current Seven Year Plan.

The change of policy in the Soviet Union and its overriding influence on the working of C.M.E.A. was reflected once more when prominence was given, at the time of the Tenth Session of the Council held in Prague in December, 1958, to the development of the chemical industries of the Bloc. A division of labour was agreed upon in the output and supply of such important chemical products as mineral fertilisers, synthetic rubber, artificial fibres and plastic fabrics. So as to

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secure the supply of important sources of fuel and raw materials for the chemical industries, co-operation in production, transport and processing of mineral oils was carried a significant step forward. An agreement was reached providing for the construction of pipelines between Soviet Russia on the one hand and Poland, Eastern Germany, Czechoslovakia and Hungary on the other hand; and of oil refineries to be set up in each of these countries. Eastern Germany was charged with special responsibilities during the last of twelve chemical conferences convened by C.M.E.A. during 1958. It is to provide (a) the seat of the commission for the Chemical Industry (East Berlin); (b) its chairman (the East German Minister for the Chemical Industry; and (c) the lead in some of its most important sub-committees (petro-chemicals, plastics and synthetic rubber).

During its second decade C.M.E.A. by co-ordinating the long-term economic plans of member countries is intended to make speedier progress than during the first ten years in its drive towards economic integration. The Eleventh Session held last month (May, 1959) in Tirana set itself the task of leading a substantial step forward in this direction. The communiqué, the Secretary's report and the Council's resolution reporting in greater detail than in the past on the proceedings, were not limited to expressions of self-satisfaction, but they pointed to bottlenecks in the supply of such vital products as coking coal and steel castings. A new feature of intra-orbit planning was the proposal to co-ordinate the electric grids of the member States and to exchange power over high tension transmission lines. These are partly to be built so as to connect existing grids and thus to create the basis for a power grid operating throughout the European territories of the bloc (including the Western Ukraine).

Plans directed towards co-ordinating political intentions and integrating the economies of member countries have thus reached a higher degree of precision than on any previous occasion. It remains to be seen to what extent they will bear fruit. The administrative machinery for consultation in matters of detail is now more developed than ever before. Apart from a well established Council's secretariat staffed with permanent representatives acting under the direction of their respective Ministerial Councils or Plan Commissions, there are now sixteen standing commissions and their sub-committees meeting at frequent intervals. These are attended by Ministers and Vice-Ministers respectively whilst ad hoc meetings of experts are attended by senior ministerial officials. Policy directives are more precise than in the past; and a sense of urgency can be detected

in public statements which refer to 1961 to 1965 as the most immediate target of intra-orbit planning. Long-term trade agreements covering this period have been concluded between almost all members of the bloc, except for a Sino-Soviet agreement which appears to be outstanding. As most of these agreements are bilateral affairs, they do not fall under the jurisdiction of C.M.E.A. Nor do defence matters concern the Council; but overall planning can hardly ignore these aspects of economic development even where they do not require the approval of any of the standing commissions.

In spite of marked improvements in the organisation, C.M.E.A. is far from perfect. It continues to work slowly and inefficiently. Although it was set up to rival the Marshall Plan, it failed to become an organisation comparable with that for Western European Economic Co-operation (O.E.E.C.). It begins to show signs only now of being able to attend to the problems which it was set up to solve. Although the duplication of industrial effort has been criticised more than once, the members of the Council tend to cling tenaciously to traditional lines of economic development. Pride and prejudice have not been eradicated.

Whilst a certain degree of co-ordination has been achieved in dealings with underdeveloped countries of the West, competition seems as frequent as co-operation. Blueprints and price quotations appear to be jealously guarded rather than freely exchanged by national delegates to the Council. Considering effort and outlay, the results of intra-orbit co-ordination seem modest, and the fruits of integration a long way off - except in certain selected strategic sectors of the economies.

A foretaste of the difficulties that lie ahead is given in Bogomolov's latest article on the subject. They lie more in the economic sphere than in that of technical co-ordination. The economic method underlying all planning in the Soviet orbit is that of balances, in physical terms, of output and consumption. Input-output calculations in financial terms, as practised in the West, are almost unknown. Only recently has the question of an overhaul of the price system become topical. In the words of the Polish Vice-Chairman of the Council of Ministers Jaroszewicz "the economic system which has prevailed hitherto is an abracadabra about prices, cost and wages. No wise man can tell what is profitable or not". (1) Bogomolov goes further in his criticism when he says "Not enough consideration has been given to the capital expenditure involved, the distribution

(1) Tribuna Ludu, 18th November, 1956.

of national income in several countries, and the balance of payments". (1) Although attempts are being made to achieve some degree of uniformity in the statistical and other spheres, the shortcomings from which intra-orbit planning suffers are unlikely to be eliminated for some time to come.

Regarding trade with the non-Bloc world, an inclination is discernible to give preference to specific projects in certain selected underdeveloped countries of Asia and the Near East. In the Soviet Union these countries come under the jurisdiction of the State Committee for Foreign Economic Relation - G.K.E.S. - (whose Vice-Chairman was one of the four Soviet delegates to the Council's session held at Tirana), some of the other member States appear to have similar organisations at their disposal. Soviet influence in the Standing Commission for the supply of complete industrial plants is, however, bound to be overriding. The same is likely to be true of trade relations with other countries of the West where the Soviet Union has at present a strong interest in placing orders for equipment needed for the development of its new industries, but unobtainable within the bloc. It is impossible at this stage to gauge the effects of any progress in intra-orbit integration, but the possibility cannot be ruled out that as a result the need for East-West trade may be reduced rather than increased in the years following 1965.

22nd June, 1959.

(1) Mirovaya Ekonomika i Mezhdunarodnye Otnoshenya, No. 4, Moscow, 1959.