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Note by the United Kingdom Delegation

THE COUNCIL FOR MUTUAL ECONOMIC
ASSISTANCE AND THE SEARCH FOR ECONOMIC INTEGRATION

ECONOMIC COMMITTEE

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THE COUNCIL FOR MUTUAL ECONOMIC
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(1) This report may be considered as the major contribution to the examination by the Committee of the present situation of CMEA planned for 6th June, 1974

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THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE AND THE SEARCH FOR ECONOMIC INTEGRATION

BACKGROUND

1. The CMEA was founded in January 1949 at a Moscow conference of Senior Planning Ministers of Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the Soviet Union. Albania(1) joined one month later and the GDR in September 1950. Mongolia became a full member in 1962 and Cuba joined the Council in 1972, after occasionally attending meetings as an observer since 1962. In September 1964 Yugoslavia signed an agreement with the CMEA on participation in certain of its activities. She had had observer status since the late fifties. CMEA was the first formal assembly of the Soviet Union and its associates as states; the Cominform, convened in 1974, was a union of political parties and the diplomatic and military alliance, the Warsaw Treaty, was not to be signed for another six years.

2. It was only after 1956 that the economic aims of the organization were given pre-eminence and in 1959 a Statute was adopted to this effect (Appendix I). There is no mention on paper of political integration in the Statute or in any CMEA document which has been published subsequently, as this is inherent in Communist party control. The Statute talks only in general terms of the co-ordination of national plans and co-operation and the only CMEA document which considered the methodology of integration - "The Basic Principles of the International Socialist Division of Labour" - was not approved until December 1961. The document stressed in particular the need to draw up mutually consistent plans, rather than to co-ordinate national economic plans which had already been prepared.

3. In 1962 Khrushchev proposed the establishment of a "unified planning organ empowered to compile common plans for the whole CMEA area", and to decide organizational matters. This concept virtually contradicted Article I of the CMEA Charter, which envisaged co-operation that respected each country's sovereignty and national interests. It was opposed firmly by the Rumanians on both nationalistic and economic grounds and more discreetly by other members of CMEA. As a result talk of supra-national planning was tactfully dropped and, at least in public, the subject has not been resurrected by the Russians. Efforts within CMEA were then concentrated on the work of the Standing Commissions and on the co-ordination of CMEA countries' plans (primarily foreign trade) for the 1966-1970 Five-Year Plan period, largely on a basis of bilateral consultations. This process continued during the preparation of the 1971-1975 plans, with the emphasis chiefly on bilateral industrial co-operation and co-production.

(1) The last session that Albania attended was in February 1961

4. From its foundation during Stalin's lifetime until the mid-1950s CMEA held relatively few meetings and those only on an ad hoc basis. The only permanent feature was a small secretariat. However, in 1956, 12 standing commissions were authorized to co-ordinate developments in particular industrial sectors. In 1962, the organization was strengthened and made more active when an Executive Committee was formed, while ten years later two special committees were created attached to the Executive Committee (the Committee for Co-operation in Planning and the Committee for Scientific and Technical Co-operation) (Appendix III).

ACHIEVEMENTS PRIOR TO THE "COMPREHENSIVE PROGRAMME"

5. Over 60% of CMEA foreign trade is intra-bloc trade (the comparable figure for the EEC ("the Nine") is about 50%). The trade flows have been largely bilateral with the Soviet Union the major partner of each of the other members, and to a large extent would have been achieved without the existence of the organization. The Soviet Union dominates the CMEA economically. Rumania has reduced its overall dealings with the Soviet Union, as a result of which, its trade with CMEA is now less than half her total trade instead of nearly 70% as before the differences with the Soviet Union began. The pattern of trade has acquired a rigidity largely because of the commodity structure which it would be difficult for CMEA countries to change dramatically, even if the USSR were willing to allow the attempt; though in the case of several CMEA countries including the USSR in the past two years, there has been a small but nevertheless noticeable shift towards trade with non-Communist countries. With commodities, the USSR traditionally exports raw materials and semi-processed goods in exchange for East European machinery, manufactures and consumer goods (Appendices VI(a), (b), (c) and (d)). In intra-CMEA trade there are "hard" commodities which readily sell anywhere and "soft" commodities for which the CMEA market is less enthusiastic. Hence despite some efforts to the contrary, the principle of bilateral balancing dominates. Not only is overall equilibrium the objective of each country in each bilateral trade agreement, but both sides wish to ensure that the balance between exports and imports of "hard" goods is maintained. While the CMEA's share of world industrial production is estimated at 33% in 1970, its share of world trade amounted to less than 12%, and while world trade between 1965 and 1970 increased by 64%, overall CMEA trade rose by only 54%. Foreign trade per capita in 1970 in CMEA was less than \$200 per annum; in the EEC the corresponding figure was over \$900.

6. The CMEA has succeeded in promoting the exchange of a good deal of information between its member states. It has developed a number of active bodies designed to promote specialisation and co-operation and plan in outline overall investments (Appendices III and IV). For example, Intermetall, set up in 1964, seeks to rationalise the iron and steel industries in CMEA countries. There is an agency

for the bearings industry whose purpose is the streamlining production and facilitating mutual exchange of bearings; a joint freight wagon pool of some 235,000 wagons; and the "Friendship" and "Brotherhood" pipelines to transport Soviet crude oil and natural gas to Eastern Europe. All these are useful bodies which, although they have not the same executive functions as their Western counterparts, facilitate exchange of information between countries in their respective sectors.

7. Bilateral co-operation agreements have usually comprised the delivery on credit by one country of machinery and equipment to another, to be repaid from the output of the enterprise. Most agreements have concerned raw materials. Czechoslovakia has, for example, provided essential supplies for the expansion of the Polish copper, sulphur and coal industries and in Soviet oil and natural gas production. There is also a network of agreements concerning production and exchange of components, particularly in the automotive industry. In general, where the economic interests of several countries coincide and this is particularly the case when new industries are being established, then multilateral co-operation has proved successful. This is the case in some sectors of the electronics, chemical and metallurgical industries. These arrangements are often specifically based on mutual deliveries and production co-operation rather than on grandiose overall co-ordination schemes with the USSR at the apex. More ambitious schemes have, in the past, had a habit of not getting beyond the discussion stage.

THE COMPREHENSIVE PROGRAMME

8. The 23rd CMEA Session in April 1969 had embarked on the search for "integration", and after a year of discussion, the 24th Council Session (1970) was to provide an interim assessment of the progress. The discussions preceding this meeting indicated that there were still major differences over the drawing up of the programme. The Russians indicated that they were very much aware of both the political and economic significance of integration and the difficulties of achieving harmonious agreement in both spheres.

9. The Comprehensive Programme was unanimously accepted at the July 1971 Session of CMEA. It reflects some compromise among the member countries. In so far as the 25,000 word document falls short of the highly centralised scheme originally advanced by the Russians, the rôle of the East European countries, particularly Rumania, becomes apparent - where the statement is made that "Socialist economic integration is not accompanied by supranational organs and does not affect questions of internal planning". It is emphasised that no country need participate in any particular part of the

programme if it does not wish to do so. The document also demonstrated the complicated nature of the proposals by calling for their implementation over a 15-20 year period. It attempts to define the organizational basis for co-operation in all aspects of economic activity and outlines in detail some specific undertakings. It comprises 17 sections, ranging from the principles of planning co-operation to co-operation in water resources. The sections are unco-ordinated and the programme lacks a really comprehensive concept. There is little evidence of agreement on institutional reform, but there is considerable consensus, at least in principle, to co-operate in a large number of specific areas of industry, agriculture, transportation etc. The programme recognises the shortcomings in integration, and aims at improving both the co-ordination of national plans and the financial and currency system in CMEA. The programme also emphasises a growing need for improved exchanges of scientific and technical information and in particular the need to evolve a common fuel and raw material policy for the CMEA area. It emphasises the need for multilateral investment projects in member countries and endorses the creation of international economic organizations/associations to effect such collaboration between economic combines, trusts and enterprises in CMEA countries.

The programme's main aims may be defined as follows:

- (a) more rapid development of productive forces;
- (b) increase in economic efficiency;
- (c) maximum growth of social labour productivity;
- (d) improvements to the structure and increased scale of production;
- (e) introduction and application of advanced technology;
- (f) satisfaction of long-term requirements for fuel, power, raw materials, machinery and equipment, food and consumer goods through rational utilisation of the resources of CMEA countries;
- (g) increase in material and cultural living standards;
- (h) gradual rapprochement and equalisation of CMEA economic development levels (this is particularly stressed by the disproportionate emphasis on aiding Mongolian economic development in the programme);
- (i) consolidation of CMEA countries' defence capability.

Attached at Annex are the main outlines of the comprehensive programme by industrial sector (Appendix V).

CMEA SINCE THE COMPREHENSIVE PROGRAMME

10. Nearly three years have passed since the adoption of the CMEA programme and several important steps have been taken towards the implementation of its general provisions. The political highlight of the 1972 Session was the admission of Cuba to full membership of CMEA. Cuba had been an observer for several years, but because of her under-developed state and chronic economic problems, was not nearly so active as, for example, Yugoslavia, in CMEA affairs. Her rôle in CMEA promises to be more analogous to that of Mongolia, than to that of any other member, while her geographical position makes participation in some of CMEA's more established ventures difficult. Her admission came at a time when, since the adoption of the programme, increasing emphasis had been placed on the open nature of the CMEA and its willingness to allow the participation of other states in its economic activities. The lack of takers may have proved disappointing, particularly when the attention of the rest of Europe was focussed on the EEC and its enlargement. Finland's relations with CMEA are discussed in the paragraph 14 on "CMEA and the West".

11. Many of the agreements signed and the organizational steps taken by CMEA since mid-1971 have not been supported by great progress towards consensus on the general principles of co-operation, notably the legal and financial framework and the authority of CMEA's offspring organizations, although in this respect a clearer picture would now seem to be emerging (paragraphs 34-38). Among the decisions taken by CMEA towards implementation of the programme the following are of interest:

- (a) The creation of the International Investment Bank, which has already approved over thirty loans to a value of nearly six hundred million transferable roubles (see Appendix X).
- (b) The decision to broaden the scope of existing joint energy systems by constructing new transmitting cables, pipelines and atomic power stations.
- (c) The signing of the agreement by six CMEA member countries concerning the joint construction of a large cellulose plant in the USSR (at Ust Ilimsk), the initial agreement about participation in the development of asbestos production in the Soviet Union and continued talks on the joint construction of a large metallurgical combine in the USSR.
- (d) The signing of some important bilateral agreements concerning participation in developing the production of certain raw materials and products; for example the agreement between the USSR and Czechoslovakia about the latter's further participation in the development of oil

and natural gas in the Soviet Union, or the agreement between the USSR and Bulgaria regarding deliveries to Bulgaria of additional quantities of gas, wood, cellulose and paper in return for the latter's participation in the expansion of corresponding production in the Soviet Union.

- (e) The signing of two multilateral agreements about the joint planning of certain selected types of production, and of the multilateral agreement on specialisation and industrial co-operation in the production of glass, ceramics, trucks, tractors, agricultural machinery, river craft and sea-going ships.
- (f) The signing of many bilateral agreements on industrial specialisation and co-operation. Within a year of the adoption of the programme, Bulgaria signed with its CMEA partners 45 such agreements, Hungary 43, the GDR and Czechoslovakia each over 60, Rumania more than 30 and the USSR 57.
- (g) The signing of several bilateral and multilateral agreements on broadening scientific and technological co-operation. Agreements in these sectors between CMEA countries currently cover more than 270 items. Over thirty co-ordination centres have been established, though they appear at present to represent a pilot experiment, and not as yet a major economic factor. Joint research appears so far to have been limited to ancillary areas rather than to the central problems of science based industries.
- (h) Undertaking the co-ordination of plans of the CMEA countries for the period 1976-1980 and their long-term plans for 1976-1990 and applying a new improved procedure for this purpose.
- (i) Carrying out certain changes in the institutional structure of CMEA. Particularly important in this sphere was the creation of the Committee for Collaboration in Planning and the expansion of the former Commission on Scientific and Technical Collaboration into a CMEA Committee.

12. We believe that it is not possible to quantify, in any way, how far the CMEA programme has been implemented, except for the more important and specific decisions outlined above. We are able to trace the many meetings of the Executive Committee, the Standing Commissions, their working groups and CMEA agencies and the work

reportedly done at these meetings but this cannot usually tell us whether any specific item on the CMEA programme has been implemented, all we are able to state is that a particular item has been considered. We are not helped by the fact that the programme laid down a series of preliminary measures rather than a deadline to implement concrete projects. The trade figures which are available for 1972 and preliminary 1973 figures show no sign of increasing integration in as much as intra-CMEA trade has not increased; in practice, however, we could not expect implementation of the programme to be reflected so early in trade figures - it would be only after perhaps five to ten years, that any trends would become apparent. However, in terms of CMEA's sphere of operations, the last three years have seen a widening of CMEA's economic interests particularly in the scientific and technical research, transport, agriculture and consumer goods sectors, though how much of this is directly attributable to the programme is hard to say. It is true however that in CMEA, throughout its existence, periods of major activity have coincided with the dictates of Soviet policy, when they have considered it to be to their advantage, economically and/or politically to work through CMEA as an organization.

THE CMEA AND "THE WEST"

13. The CMEA programme itself did not go into the question of external economic relations or CMEA's prospective rôle in such relations in any great depth, or with much clarity. The programme rather cursorily stated that economic relations with non-Socialist states would continue to develop. The most interesting statement in the programme in this connection was that for certain purposes the "members of CMEA will co-ordinate their foreign policy in the interests of normalising international trade and economic relations". While the circumstances under which this could happen appeared to be deliberately left ambiguous, the basis for a more unified CMEA position on some aspects of international relations with the West appears to have been laid, for example as regards attitudes towards the EEC.

14. But CMEA's unwillingness, until recently, to recognise the Community, and its inability to speak for its members are still major barriers to any significantly expanded external rôle. Despite some movements towards policy co-ordination recently, the programme does not provide for a strengthened CMEA secretariat. One area in which CMEA appears to have had some success in external relations, is with Finland. An agreement signed in 1973 interposes a "Commission for Collaboration" between the Finns on one hand and the CMEA on the other. It does not involve Finland in any participation in CMEA affairs but aims to promote collaboration and exchange of information in certain sectors. Faddeev (the CMEA Secretary General) stressed that the agreement would serve as an example of the kind of co-operation which could exist between countries of different economic and political systems.

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CMEA FINANCE

15. CMEA countries' currencies are non-convertible. Their commercial relations with the West are for the most part conducted in Western convertible currencies, though transactions with a small and diminishing number of Western partners are conducted under bilateral clearing accounts. Except for limited purposes within the CMEA countries themselves, non-residents do not hold CMEA countries' currencies, nor do they trade in them. The exchange rates published by the CMEA countries have no practical significance except for non-commercial transactions, as for example tourism, and foreign trade statistics (usually converted at the official rate).

16. One of the main problems in CMEA countries' trade amongst themselves is the absence of a rational mechanism for price formation and hence the lack of a common pricing system. There is no relationship, apparent or real, between CMEA prices and world market prices, because internal prices are set by the planners in such a way as to encourage the use of some commodities while discouraging the use of others to fulfil domestic planning objectives. With certain exceptions, amounts received and paid in local currency by CMEA country-producers and end-users are not influenced by the receipts and payments made in foreign currency in Western markets for the goods concerned. In most cases, state foreign trade corporations buy and sell in the West for convertible currency at the prices prevailing on Western markets but pay and charge their own producers and end-users in local currency at the artificially fixed domestic prices. This isolation of the internal price system has been achieved and maintained by an elaborate system of artificial exchange rates and budgetary supports. There are exceptions to some extent in Poland, but notably in Hungary where the basic price paid or received by enterprises for imports and exports is linked to the price on the foreign market through a system of coefficients or multipliers to the official exchange rate.

17. Within CMEA, trade is conducted on the basis of adjusted world prices, which operate at least over the five-year plan period without alteration. International payments are channelled through the International Bank for Economic Co-operation (IBEC) in Moscow (see Appendix IX). The operations of the Bank are conducted in units of account known as transferable roubles(1), which have the same notional gold content as the Soviet rouble. Conversions between local currencies and the transferable rouble are effected at rates of exchange derived from the declared gold contents of the currencies involved. The IBEC operates a multilateral clearing system through which debts to one member can be offset against claims on another. In practice, however, there are severe limitations on the multilateral use of transferable rouble balances. This is

(1) The nominal gold content of the transferable rouble is 0.987412 grammes of pure gold

largely because trade between CMEA members is still regulated through bilateral trade agreements which aim at equilibrium in trade between each pair of partners. Outside the quotas established in these agreements it is generally possible for partner countries having surplus transferable roubles to buy only so-called "soft goods", that is, goods for which there is no ready market.

18. The Complex Programme included a timetable for the improvement of financial and monetary relations between the members and of the rôle of the transferable rouble (see Appendix V.8). It was in fact a timetable for the production of the studies and agreements on solutions rather than a timetable for action. Thus, members are supposed by now to have agreed on how they are to arrive at "economically substantiated and mutually agreed exchange rates or coefficients for countries' national currencies against the transferable rouble and against each other". They are also supposed to have "resolved the relationship between domestic wholesale prices and foreign trade prices". Although work is understood to be in hand, there is no indication as yet that these aims have been achieved; although arrangements for more or less immediate clearing of non-commercial payments, including tourist payments and maintenance of diplomatic missions, has been introduced following the May 1973 meeting of the CMEA Committee for Foreign Currency and Finance.

19. In recent years IBEC has been a limited source of short-term finance for its members' trade with the West. It has been able to attract deposits from Western banks and has borrowed on the medium-term euro currency market. Known borrowing from this source is put at over \$150 million.

20. CMEA's other bank, the International Investment Bank (IIB) (Appendix X) was established in accordance with decisions of the 23rd and 24th CMEA sessions. It began operations in January 1971. Its main purpose is to grant medium- and long-term credits to official banks and enterprises in CMEA countries for the purchase of capital goods and business, both within the CMEA and from the West, for projects of interest to CMEA as a whole. So far projects receiving credit have been mainly in the automotive, transport and engineering industries. Future projects are expected to be in the fields of raw material exploitation and "joint" CMEA ventures. The bank had by the end of 1972 authorized credits totalling nearly 280 million transferable roubles, of which over 110 million were in convertible currency, for 26 projects. The bank has supplemented its statutory capital by borrowing on Western money markets, a policy which we expect to continue, probably on an increased scale, in the next few years of the bank's operation. Only in this way could it raise sufficient capital to finance (large scale) raw material projects on Soviet territory. Last year, for the first time, credits were approved by the bank for the USSR though their size and purpose are not known.

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CMEA LAW

21. Certain joint regulations and procedures have been in existence for some time. For example, the so-called "General Conditions for the Deliveries of Goods", which has governed dealings between economic and trading organizations of CMEA countries, was approved by them in 1968. The CMEA Session, the Executive Committee and the Standing Commissions can issue "decisions" and "recommendations" within their respective spheres of competence. Decisions relate to organizational and procedural matters; recommendations to more substantive matters. Such decisions and recommendations can however only be implemented in individual countries when endorsed in accordance with their national legislation by decisions of their governments or competent authorities. There is as yet no such thing as "CMEA law". Thus CMEA decisions need not become the national law of member states.

22. Decisions and recommendations, must, in any case, be taken unanimously within the CMEA bodies in which they originate. (The only partial exception is the International Investment Bank where the principle of majority voting has been accepted for some kinds of day-to-day decisions.) According to Article IV(3) of the Statute, all recommendations and decisions can be adopted only "with the consent of interested member countries of the Council". Interpreted restrictively, it provides a right of veto by one country over any proposals of which it disapproves; however, the Complex Programme states that unwillingness to participate by one member must not prevent the interested countries from going ahead on their own. Even when an agreement has been signed and member countries have ratified it, there are no legal sanctions which can be applied in the case of non-delivery of goods. Only in the case of the International Investment Bank has the idea of penalty clauses been introduced and that to be used in the case of default on repayments by borrowers.

23. So-called "Model Regulations" on the establishment of "International Economic Associations/Organizations" were approved by the CMEA Executive in January 1973. They will be considered later in the paper, in the section on Integration. The institution which has been set up to concern itself with the legal aspects of CMEA integration is the "Consultative Board of the CMEA States for Legal Questions". Integration generally, has increased the number and complexity of the economic ties between member states and this makes considerable organizational and legal demands. The Complex Programme included provisions for improving the legal basis of economic, scientific and technical co-operation between the CMEA countries. The First Stage in implementing this programme was reached in May 1972, when representatives of the countries signed a "convention on the settlement by Arbitration of Civil Disputes that arise from relations in the economic sphere".

The convention came into force in August 1973. Under this arrangement any disputes arising out of deals between CMEA countries are subject to arbitration in arbitration courts attached to the Chambers of Commerce. Future efforts in the legal sphere are to be directed towards legal protection of inventions, trade marks and industrial samples and consideration of the legal aspects governing any forms of co-operation in buying and selling licenses and know-how.

ECONOMIC INTEGRATION IN CMEA

24. There has been no agreement in practice on what the process of "Socialist economic integration" entails. In the Communist press, it has become clear that the term has become a household phrase, at least for Communist officialdom and the media; the term and its companion phrase "economic and scientific technical co-operation" have many meanings. In their widest application CMEA members understand them to encompass any form of CMEA trade and any economic/scientific and/or technical contact between countries. In a narrower sense however CMEA members limit these phrases to agreements which establish some sort of joint production on an "exclusive basis" (that is, specialisation in industrial sectors or individual products) and joint participation in the actual production process (be it in design, research and development, manufacture or marketing). The earliest form of "integration" was conceived as plan co-ordination.

Plan Co-ordination

25. The co-ordination of long-term economic plans was established at the (summit) special Council meetings of 1962 and 1963 attended by top Communist Party officials, as CMEA's basic method of operation and, in lieu of the abandoned joint planning, was to function as the principal means of developing and extending the "international division of labour". The purported new co-ordination in depth for 1966-1970 ran into considerable delays and difficulties and was carried out largely on a bilateral basis. Multilateral efforts were limited essentially to a compilation of raw material balances for fuels, power and certain metals. The priority reaccommodated plan co-ordination in 1969 (the 23rd Session) presaged new efforts in this sphere and plan co-ordination for the time being remained geared primarily to sectors heavily involved in production of goods for intra-CMEA commerce. Member countries agreed to exchange a wider range of information that had previously been agreed for the 1971-1975 plan period and long-term planning (15-20 years) received a boost particularly in the raw material sectors.

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26. A CMEA Committee on Planning was formed in accordance with recommendations of the 25th CMEA Session (1971). During 1972, it was responsible for formulating and drafting general agreements on co-operation for the construction in the USSR of the Ust-Ilim paper and pulp combine (see Appendix XI) and the Kiembai asbestos mining and concentrating complex.

27. On plan co-ordination a main point to emerge from the CMEA Council Session in Prague last year was the disappointment with the slow progress made in following up the Complex Programme. Hungary in particular expressed its impatience openly. The main reason for this appears to be that the CMEA member countries have not had enough time to gear their individual plans to fit into the overall plan and earmark the necessary resources for joint projects in good time. Under the strict national plans that CMEA members operate there are often times when they find themselves without any spare capacity to embark on new projects at short notice. So much was admitted by Nikolai Baibakov, the Soviet Planning Minister: "...if we do not set aside adequate material, labour and financial resources and first of all capital resources for integration measures we could find ourselves in a difficult position. It seems to us that only interconnected and simultaneous work on the preparations of internal national plans and of the five-year plan for multinational integration measures within the framework of CMEA can bring success".

28. What he advocated is now beginning to take place. A round of consultations both on overall strategy and individual projects has begun, so that the contents of the "complex programme for integration" can be built into members next five-year plans, which start in 1976. It is expected that all these plans will, for the first time, contain complete sections devoted to integration, and such a process was formalised at the Prague session. Remarks by Vaclav Hula, Chairman of the Czechoslovak State Planning Commission indicated that the next five-year plan will have one common integration plan (covering only specific topics) for CMEA, in which the Committee for Planning (Chaired by him in 1973) will be seen to be emerging as a prominent body with a considerably enhanced rôle to play.

29. Next to plan co-ordination, the formulation of projects for production specialisation and co-operation arrangements between members as an area of economic activity furthering integration, is considered.

Specialisation and Co-operation

30. The question of production specialisation within CMEA must be seen against the background of the differing economic and industrial levels of the individual member countries. Thus the more industrialised nations (Czechoslovakia, GDR and Poland) favoured a greater degree of specialisation in production as being efficient

in terms of investment costs and potential foreign sales, while Rumania, Hungary and Bulgaria were (and still are to some extent) more concerned with building up their own industries on as broad a base as possible, and as such, they were less inclined to accept expansion of specialisation, under CMEA auspices, as being of any immediate economic benefit to themselves.

31. Specialisation was intended to bring about greater efficiency in production and to accelerate technological progress via a concentration of output of a given product in one or more of the member countries, which would meet the requirements of the CMEA Area as a whole. It was conceived in terms of collaboration between existing industries and the creation of new complexes of inter-related and complementary industries. But basically, each country wants to concentrate on whatever is most profitable to its own economy and not to be committed to uneconomic lines of production. There is national resistance to ceasing production of items in case alternative CMEA supplies are not forthcoming. There is also the question of high initial investment costs and the probability of slow returns on such investment. The lack of material incentives to induce member countries to switch away from existing lines of production have stymied the achievement of greater progress. Other limiting factors which have not yet been completely overcome are the inadequacy of the transport system between member countries, and the persistent lack of common technical standards and of economic criteria which would enable individual countries to assess the relative economic viability of specialisation projects. The slow progress of specialisation has been blamed, to some extent, on the CMEA organs, primarily the standing commissions, (see Appendix III) about half of which represent major branches of industry. Usually their membership comprises senior ministry officials from each of the member countries, they originate and approve proposals which must then be put to the CMEA Executive, who then issue recommendations to member governments.

32. Even when specialisation projects have been agreed, they are not necessarily honoured in practice. This has left countries which expanded their output of a particular product unable to sell it to their CMEA partners, who had also increased production. Agreement was reached on new approaches to specialisation, the most important factors being:

- (1) to put future specialisation agreements on a contract basis instead of having them take the form of recommendations adopted by the governments concerned, and
- (2) to work out specialisation schemes at operational (enterprise) level.

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33. In practice, specialisation in engineering production is still backward within as well as between CMEA states - the levels compare unfavourably in many sectors with Western countries. The main feature of the current stage of industrial development of CMEA countries is that they are not scientifically and technically equipped to produce a complete range of basic products. Soviet and East European engineering plants have in the past attempted to be almost self-sufficient because defects in centralised supply and planning meant that exports (to other CMEA countries) were sacrificed at the expense of domestic usage. Parallelism in the engineering industry has continued, despite efforts to the contrary. Existing specialisation agreements are in the main for production of different finished products and only recently has provision for specialisation in components and sub-assemblies become popular. Engineering components are not always interchangeable within CMEA and greater standardisation is needed despite the progress already made in this sphere. Involvement in specialisation programmes often means departures from old and starting new types of production with higher technical parameters and with strict requirements as to the rhythm and time schedule for deliveries. Nevertheless some degree of specialisation has been achieved, (see Appendix VII), particularly where new products are being introduced. This has occurred mainly in the engineering, metallurgical and chemical industries. It has to date usually been effected through bilateral channels and mainly among the East European members rather than with the Soviet Union though has to some degree involved multinational co-operation. It is impossible to determine to what degree the state of specialisation between member countries is directly attributable to CMEA recommendations and how much occurs as normal industrial relations between neighbouring countries.

More Effective Organizational Forms

34. For some time Soviet and East European criticism of existing CMEA specialisation machinery has been accompanied by calls for the formation of additional branch associations. The creation of international economic organizations (such as Intermetall and Interkhim) by various groups of CMEA countries has been an important feature of recent years. Such bodies have fulfilled chiefly the function of co-ordination of their respective sectors. They have no direct control over enterprises and are intergovernmental in character, staffed by national civil servants and they are government financed.

35. CMEA has recently established the first International Economic Association based on the self-financing principle: Interatominstrument. It may be regarded as the beginning of a CMEA nuclear engineering and instrument sector, in which a joint approach to scientific and technical problems will be combined

with the production of equipment and instruments and their marketing and also with the installation and servicing of nuclear equipment by specialised member units of the Association. Inter-atominstrument's circulating capital for the first three years will be supplied by its members (its initial capital is 2.1 million roubles) and only after this period (1975) will it be expected not to call on them for further funds. One of its main aims is to obtain savings for CMEA as a whole by placing large consolidated orders for machinery in the West thus eliminating some duplication. Its membership now comprises 14 economic organizations and enterprises from six CMEA countries.

36. Being virtually independent of the intergovernmental machinery of CMEA and avoiding political objections by any CMEA country, since membership in these bodies is voluntary, International Economic Associations could be relatively flexible and fast moving. With the exception of the USSR, individual CMEA members have neither the capability to establish and operate a full range of industries on an economically viable basis nor the means for obtaining the requisite technology and equipment on their own. Their needs would seem to impel them towards this type of joint production and marketing arrangements as the most realistic approach to the modernisation of their industries under present conditions. They reflect the increasing importance attached to co-operation, particularly by the East European members of CMEA. They are also an example of the more market oriented, cost conscious and managerial approach, which a number of East European countries are now applying to their industries. In this connection the last nine months have been lively as regards the number of organizations formed, eight in all; in addition the proliferation of proposals shows the extent to which the idea has caught on. Several of the recently formed organizations are in relatively advanced technical industrial sectors, for example, measuring equipment for laboratories, telecommunications, air purification; the scientific dimension makes international co-operation more acceptable and more necessary. It is easier to obtain international co-operation in the more advanced fields of technology, rather than in the existing older sectors of industry which CMEA countries are often reluctant to change radically. The associations supplement, rather than replace existing production organizations. Details of such organizations and their sphere of operations are found at Appendix IV. There is some increase in the proportion of bilateral associations (Assofoto, Interport and Inter Komponent) where on previous precedent, other members may join later; but the common feature of most organizations is that they will be based on a joint strategy and of a size to be fitting competitors of Western firms. In the case of the organization - "Med-union", it was established specifically to develop and co-ordinate exports of medical equipment to non-Communist countries.

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Scientific and Technical Co-operation

37. Since 1966, co-operation in scientific and technical research has been promoted as a means of implementing economic integration. Original CMEA principles on such co-operation laid down in 1949 that information and documentation were to be exchanged free of charge. For the more industrially developed countries such as Czechoslovakia and GDR, this meant sharing the fruits of research with other members who had little to contribute in return. It was further argued that scientific-technical co-operation without compensation was ill-fitted to the new principles of economic management that were being introduced in the mid- and late 1960s. Since then agreement has been reached among the CMEA countries and payments are not precluded for the "technological assistance offered to solve particularly difficult problems when such assistance involves considerable expenditure on the part of the assisting country".

38. CMEA's Standing Commission on the Co-ordination of Scientific and Technical Research (set up in 1962) was upgraded to the Committee on Scientific and Technical Co-operation in accordance with the Complex Programme (1971) with the idea that scientific and technical co-operation must be seen as a preliminary step to future production specialisation. In 1972, the CMEA Executive approved a document fixing the organizational, methodological, economic and legal principles of scientific co-operation between member countries. It also noted that members were ready to participate in the setting up of scientific projects in Mongolia and a joint organization. Mongolsovtsvetmet has been established with the help of the Soviet Union to assist in mineral exploitation in Mongolia. Scientific co-operation is particularly relevant for new production sectors, such as atomic power, engineering, computers and automation of production processes, and the CMEA countries are now in the process of drawing up their 1976-1980 plans. At Appendix VIII we attach a list of areas of CMEA research and, where known, the countries involved.

Division of Labour

39. With the closed character of the CMEA countries economies, there has been no spontaneous flow of manpower across boundaries. Even though some countries, notably the GDR and to some extent Czechoslovakia, suffer from a manpower shortage, others like Poland have surpluses, but labour mobility has until recently been rejected in principle. Nevertheless, there have been some examples of "labour force exchange", apart from very small scale commuting across national boundaries in border areas (for example Polish manpower is used in the city of Eisenhüttenstadt). The East Germans

have employed Poles, mostly in connection with construction projects building sugar refineries, laying pipelines and railroads. Perhaps the most publicised labour exchange is that initiated in 1967 between the Soviet Union and Bulgaria. Under a ten year agreement 5,000 Bulgarian workers are participating in forestry projects in Komi Autonomous Republic; for which Bulgaria is receiving 500,000 cubic metres of lumber annually. Similar raw material, in exchange for manpower agreements were concluded between the two countries for the construction of a paper and pulp combine at Arkhangelsk and for metallurgical combines in the Kursk area.

40. Recently, however, labour resources have been considered in terms of their optimal utilisation both within each country and in CMEA as a whole, but as yet, opportunities to work in another CMEA country are strictly limited. It is however possible to transfer materials to countries enjoying better manpower resources, as in the recently concluded agreement between Poland and the GDR to jointly build a cotton spinning mill at Zawiercie in Poland. The GDR contribution will consist of deliveries of machinery and equipment and designs, while the Polish side will ensure construction, "workmanship" and factory personnel. Joint management, co-ownership and naturally, the division of profits are also planned. A similar accord between the two countries calls for the construction of bearings plants and furniture factories in Poland.

Movements of Capital between Countries

41. Raw Material Development. Most CMEA countries, the Soviet Union apart, even where they have well-developed extractive industries lack some types of raw materials or fuels, which they must consequently import. At present they import a major share of these commodities and semi-processed goods from the Soviet Union, in particular oil and oil products, natural gas, electric power, pig iron, rolled steel, phosphorus fertilisers, cotton, hand coal, manganese ore, iron ore and timber. In general the extractive industries are usually capital rather than labour intensive, except in their early stages, and have a long production cycle before costs can be recovered. The Soviet Union as a major supplier has since the mid-1960s continuously promoted the idea that her CMEA partners should participate financially in developing her raw materials resources in order to ensure a continuing and increasing flow of primary products in the long run. One idea put forward in the 1960s on raw materials was at Soviet behest (supported by Poland and Hungary) for a special fund with contributions from importing countries to provide credit for capital investment, particularly in processing of extractive industries. This has been followed some years later by the creation of the International Investment Bank, but as yet no credits have gone to such industries.

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42. The common feature of such projects is that interested CMEA countries participate in a particular project by supplying equipment and construction materials for the actual project of the infrastructure it will require. The countries acquire no rights of ownership but are entitled to repayment from the product output. All prices are fixed in advance by contract, both for what the members supply and for what will be delivered to them. They usually also have the option of continuing purchases once credits have been repaid. CMEA officials are quick to point out that only "interested" members will subscribe to projects and that they are only bound by decisions on which they have voted, but the vote amongst those who do subscribe must be unanimous. Most of the agreements then become bilateral in nature as the Soviet Union concludes individual agreements with each participating country.

43. An acceptable method must be evolved for valuing assets contributed by countries and for pricing the production and in the absence of currency convertibility or transferability this is made more difficult. Czechoslovakia has invested in the Polish copper, sulphur and coal industries; in Soviet oil and natural gas production, in thermal power plants in Rumania and in Bulgarian copper mining. All the other East European countries have invested to a greater or lesser degree in raw material exploitation in other East European countries or the Soviet Union. There are fewer instances of multilateral investments in production facilities; for example, the Braila cellulose plant in Rumania, which was initiated in 1956, was financed by Czechoslovakia, GDR and Poland and the Kingisepp phosphate mine project (Soviet Union) was begun in 1963 with Bulgarian, Czechoslovakian, East German, Hungarian and Polish participation. More recently agreed projects include the Ust Ilim paper and pulp complex in Siberia where all the East European members of CMEA, except Czechoslovakia are providing assistance in the form of machinery and equipment, in return for pulp (see Appendix XI) and the Kiembai asbestos combine in the Urals. Similarly another project outstanding in CMEA is Intermetall's project to build a steel plant metallurgical complex in the USSR at Kursk. When this project was first discussed in 1969 - CMEA countries were to build a continuous steel casting mill, by August 1970 the GDR, Hungary, Poland and the USSR had signed a general agreement - but since then very little has been done(1), apart from an influx of Bulgarians beginning construction work on an ore dressing plant near there. The CMEA contribution may well be only towards the infrastructure, delivering similar materials as they are to the Ust Ilim complex. The Russians themselves have, in the past, proposed that the method of calculating shipping costs be altered, since under the present system the actual costs incurred in shipping the raw materials to the border

(1) However, the Soviet Union recently signed an agreement with three West German firms for technology and equipment for Stage I.

of the importing country are not covered at all. They have also proposed a type of lease agreement, under which one country would lease an area within its own borders to another country which would then exploit certain natural resources. The economic profit of the country owning the resources would come from fees for the use of land and for shipping and other services it provided the leasee.

44. Joint Projects. These have been separated from raw material development because of the more specific meaning of "joint" we take it here to refer to such ventures either where there is equity investment of where there is joint ownership. In the case of such joint ventures arrangements must be made for taxation, depreciation and repatriation of profits and these problems are exacerbated by currency inconvertibility. However, the financial complexities of this type of joint venture should not obscure their probable advantages to participants. Ventures of this kind hinge more on the commitment of the industrial capital of one country to the industry of another in order to assure the production of goods for both countries which would be more expensive for each of them to produce independently or which they would otherwise have to import. Very few ventures of this sort exist as yet.

45. Perhaps the first CMEA joint venture is the Polish-Hungarian enterprise, Haldex, established in Katowice in 1959 to produce coal from coal waste, exploiting a Hungarian technique. The Hungarians delivered machinery and equipment necessary for the operation, while the Polish contribution was in the form of coal waste and the building materials and construction work involved in setting up the first of several plants to use the technique; ownership was divided equally between the Polish and Hungarian companies involved. Similarly the Polish/East German cotton mill, a more recent venture, which has received considerable CMEA publicity is to be built jointly at Zawiercie with an output capacity of 12,000 tons; it is to be the common property of the two countries in proportion to their contributions. Joint management and division of profits are also planned.

46. Thus, CMEA has so far evolved no legal framework for the conclusion of such joint production/ownership deals. References in the CMEA programme to improving the "legal framework" may foreshadow moves to remedy this situation, though progress is bound to be slow.

47. Only Rumania and Hungary have passed legislation permitting equity investment of up to 49% in joint enterprises on their territory. As yet there have been no CMEA takers and in the case of Hungary, no takers from either East or West. So prospects for this type of integration do not seem great at least in the shorter term, although Poland is currently drawing up legislation (which may be put into effect for the next five-year plan period) to allow a similar form of equity investment.

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CONCLUSIONS

48. CMEA is not a supranational organization as the Comprehensive Programme shows. The member countries have not renounced their sovereignty in favour of the organization, and no CMEA "law" exists which could take precedence over national legislation. CMEA is neither a customs union nor a free trade area: there is no external tariff or any apparent instrument of external trade policy.

49. CMEA is essentially an organization for co-operation and planned economic co-ordination of member countries' economies. Membership in the organization does not involve alterations in the attitude of a member towards third countries. Although there is no defined common policy, there are "consultations" within the appropriate CMEA forum, where doubtless some measure of common strategy is laid down. This enables ad hoc solutions to be found in the absence of a CMEA set of procedures. In the final analysis the power of CMEA is determined by the political will of its members, particularly the Soviet Union. This political will, worked out at sessions of the Council lays down the collective policy to be adopted by CMEA on specific issues.

50. Notwithstanding the positive achievements to date of CMEA there remain significant problems which need to be solved. Not least of these is that the present division of economic activity between member states, even in their eyes, is not all it might be in terms of specialisation, capital and labour productivity and lower cost per unit of output. Similarly the expansion of mutual trade between CMEA members has not kept pace with the growth of national income in member countries. CMEA countries have, to a large extent, carried out their industrialisation programmes along the same lines and they have thus evolved similar industrial sectors. With co-operation agreements in operation between countries, industries are to some degree becoming more complementary, but at present much of their original competitiveness remains unchanged.

PROSPECTS

51. The CMEA programme, if implemented in full, over the next 15 to 20 years and according to the timetable laid down, would inevitably bring about closer co-operation and integration of the member countries' economies in virtually all industrial sectors. However, evidence to date, suggested that this task may be beyond the reach of CMEA, at least in that time period, and particularly as regards the financial sector. CMEA is already psychologically oriented towards and committed to furthering trade among members, on the basis of government-to-government negotiations, with a view to long-term trade agreements continuing to provide for planned deliveries at fixed prices. In effect CMEA

is attempting to co-ordinate medium- and long-term plans at an early stage so that arrangements can be made to accommodate partners in the final national plans and thus facilitate increased trade and co-operation. Given the enhanced rôle of the CMEA Planning Committee the next national five-year plans (for 1976-1980) are likely to contain specific sections on integration measures and a "common CMEA integration plan" may become the norm at a later date.

52. Although national plans will stress the importance of intra-CMEA trade with the implications that this will be at the expense of trade with the West, in recent years this has, in practice, rarely been the case, particularly in 1972 and 1973; the future position is less clear, especially for the East European countries. Their wish to increase East-West trade must be set against the prospect of increased Soviet prices for raw materials in 1976, if not before, and the fact that they must increasingly look to the Middle East and elsewhere for additional oil supplies and pay in hard currency. Both these factors may act as a restraining factor on the relative growth of East-West trade. The Soviet Union would appear to be in a more fortunate position with her raw material resources and gold reserves.

53. If CMEA countries decided to specialise in their imports of Western technology and equipment in concert with their intra-CMEA specialisation efforts, it would in the longer term increase the degree of specialisation and intensify scientific and technical co-operation and strengthen CMEA's economic viability. Industrial co-operation, both among CMEA countries, and between them and the West, may increasingly compensate for the limited investment funds, productive capacity and, in certain cases, of technical skills and manpower, available in individual CMEA countries.

54. We expect the CMEA agencies and multinational associations, originally created to solve a number of problems in their particular industrial sectors, to play a greater part than at present. Some of these organizations are likely to enter into direct negotiations with their Western counterparts and in some cases into competition with them, without the need for further co-ordination on the part of CMEA. However, the permanent standing commissions, even if modified, are likely to remain limited in their activities to little more than setting ground rules and to general consultations. Overall the current level of organizational development would seem to be inadequate and further institutional development, such as an enhanced rôle for the Committee for Planning appears necessary if CMEA is to function effectively.

55. As an organization CMEA must continue to mirror the strengths and weaknesses of the economic systems of its members. There is now preoccupation with securing a modicum of co-ordination

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of the next five-year plans (1976-1980). Although there will undoubtedly be some advantages in this; it may well introduce further complications in the national planning process and may reduce still more the flexibility required to react to the world economic situation at any particular time. Nor is it necessarily conducive to quick response to the pace of technological change in the later 1970s.

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THE CMEA STATUTE (extracts)

Article I - Purposes and Principles

1. The purpose of the Council for Mutual Economic Assistance is to promote, by uniting and co-ordinating the efforts of the member countries of the Council, the planned development of their national economies, the acceleration of economic and technical progress in these countries, the raising of the level of industrialisation in the industrially less-developed countries, a steady increase in the productivity of labour and a constant improvement in the welfare of the peoples of the member countries of the Council.

2. The Council for Mutual Economic Assistance is established on the basis of the principle of the sovereign equality of all the member countries of the Council.

Economic, scientific, and technical cooperation between the member countries of the Council shall be carried out in accordance with the principles of full equality of rights, respect for each other's sovereignty and national interests, mutual advantage and friendly mutual assistance.

Article II - Membership

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2. Admission to membership of the Council shall be open to other countries which share the purposes and principles of the Council and have expressed their readiness to accept the obligations contained in the present Statutes. New members are accepted by decisions of the Session on the basis of official applications from the countries concerned.

Article III - Functions and Powers

1. In accordance with the purposes and principles laid down in Article I of these Statutes, the Council for Mutual Economic Assistance:

(a) shall organise all-round economic, scientific and technical cooperation between the member countries of the Council with a view to

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making the most rational use of their natural resources and to accelerating the development of their productive capacities;

(b) shall cooperate in the improvement of the international socialist division of labour by means of the coordination of national economic plans, and of the specialisation and cooperation of production of member countries of the Council;

(c) shall adopt measures in order to study the economic and scientific-technical problems of member countries of the Council;

(d) shall cooperate with member countries of the Council in elaborating and implementing common undertakings

Article IV - Recommendations and Decisions

1. Recommendations shall be adopted on matters of economic, scientific and technical cooperation. Recommendations shall be communicated to the member countries of the Council for consideration.

The recommendations adopted by the member countries of the Council shall be implemented by decisions of their government or competent authorities in accordance with their national legislation.

2. Decisions shall be made on organisational and procedural matters.

3. All recommendations and decisions by the Council shall be adopted only with the consent of the interested member countries of the Council, and each country shall be entitled to declare its interest in any matter considered by the Council.

The effects of recommendations and decisions shall not extend to countries which have declared their lack of interest in the question concerned. Each such country may, however, accede subsequently to recommendations and decisions adopted by the other member countries of the Council.

Article VI - The Council Session

1. The Council Session is the supreme organ of the Council for Mutual Economic Assistance. It shall be empowered to discuss all matters coming within the competence of the Council, and to adopt recommendations and decisions in accordance with the present Statutes.

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2. The Council Session shall consist of delegations from all the member countries of the Council. The composition of each country's delegation shall be determined by the government of the country concerned.
3. A regular Session of the Council shall be held not less than once a year in the capital of each of the member countries of the Council in turn, and shall be presided over by the head of the delegation of the country in which the Session is held.
4. An Extraordinary Session of the Council may be held at the request or with the consent of not less than one-third of the member countries of the Council.

Article VII - Executive Committee

The Executive Committee of the Council shall consist of the representatives of all the member countries of the Council, on the basis of one from each country.

1. The Executive Committee is the chief executive organ of the Council.
2. The Executive Committee holds its meetings not less frequently than once every two months.
3. The Executive Committee within the sphere of its competence has the right to adopt recommendations and decisions in accordance with this Charter. The Executive Committee may submit proposals to be considered by the Council Session.

Article VIII - Standing Commissions

1. Standing Commissions of the Council for Mutual Economic Assistance shall be established by the Council Session for the purpose of promoting the further development of economic relations between the member countries of the Council and the organisation of multilateral economic, scientific, and technical cooperation in individual sectors of the economy in these countries. Regulations governing the Standing Commissions shall be approved by the Executive Committee of the Council.

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2. Each member country of the Council shall appoint its representatives to the Standing Commissions.
3. The Standing Commissions, within the limits of their competence, have the right to adopt recommendations and decisions in conformity with the present Charter. The Commissions may also submit proposals for the consideration of the Session of the Council and the Executive Committee of the Council.

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5. The meetings of the Standing Commissions shall, as a rule, be held at the place where they are permanently located, which shall be determined by the Council Session.
6. Subordinate to these bodies are sub-commissions and working groups. The groups are numerous and meet quite frequently. In more recent years they have achieved a considerable exchange of information and are one basis for work on specialization.

Article IX - The Secretariat

1. The Secretariat of the Council for Mutual Economic Assistance shall consist of the Secretary of the Council, his deputies, and such staff as may be required for the performance of the Secretariat's functions.

The Secretary of the Council shall be appointed by the Session of the Council and his deputies by the Executive Committee.

The Secretary and his deputies shall direct the work of the Council Secretariat. The staff of the Secretariat shall be recruited from citizens of the member countries of the Council in accordance with the rules and regulations of the Secretariat of the Council.

The Secretary of the Council shall be the chief official of the Council. He shall represent the Council before officials and organizations of the Council member countries and other countries, and also before international organizations. The Secretary of the Council may empower his deputies and also Secretariat officials to act on his behalf.

The Secretary and his deputies may take part in all meetings of the organs of the Council.

.....

3. In carrying out their duties, the Secretary of the Council, his deputies and the Secretariat staff shall act as international officials.

CMEA SESSIONS AND MAJOR MEETINGS OF PARTY LEADERS
TO DISCUSS CMEA AFFAIRS

<u>Meeting</u>	<u>Date</u>	<u>Place</u>	<u>Attendance</u>	<u>Subjects covered</u>
Conference	January 1949	Moscow	Bulg. Czecho, Hung Pol., Rom., USSR (Senior Planning Ministers)	Constituent Conference
-	February 1949	(by cor- respond- ence)	-	Albanian application for membership accepted.
1st Session	26-28 April 1949	Moscow	Attendance not announced	Establishment of a small secretariat ('Bureau').
2nd Session	25-27 Aug. 1949	Sofia	Attendance not announced	Arrangements for scientific and tech- nical co-operation. Long-term plan co- ordination.
-	29 Sept. 1950	(by cor- respond- ence)	-	GDR application for membership accepted.
3rd Session	24-25 Nov. 1950	Moscow	Attendance not announced	Inter-regional trade.
4th Session	26-27 March 1954	Moscow	All members (incl. Alb. & GDR) (Vice-Premiers)	Co-operation in drawing up 1956-60 trade targets. Specialization by bilateral agreement.
5th Session	24-25 June 1954	Moscow	All members (Vice-Premiers)	Distribution of national investment. Preliminary talks on the unified power grid.
6th Session	7-11 Dec. 1955	Budapest	Attendance not announced	Co-ordination of production plans up to 1960. Special- ization in engineering.
7th Session	18-25 May 1956	Berlin	All full members (Vice-Premiers) Observers from CPR and Yugoslavia	Creation of 12 Standing Commissions. Specialization in engineering, food- stuffs, raw materials. Prelimi- nary recommendations on clearing agree- ment.

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<u>Meeting</u>	<u>Date</u>	<u>Place</u>	<u>Attendance</u>	<u>Subjects covered</u>
8th Session	18-22 June 1957	Warsaw	All full members (Vice-Premiers). Observers from CPR, Yugoslavia, N. Korea.	Swing-credit clearing scheme agreed (signed 20 June). Revision of trade plans for 1957-60. Warning on hindrance to trade expansion represented by proposals for an EEC.
AD HOC MEETING	20-23 May 1958	Moscow	First Party Secs of all full member & observers from CPR, N.Korea, N.Vietnam, Mongolia	Communiqué proposed a more important rôle for the CMEA, a better division of labour within the CMEA, and further development of raw material and energy output.
9th Session	26-30 June 1958	Bucharest	All full members (Vice-Premiers) & observers from CPR, N.Korea, N.Vietnam, & Mongolia.	Implementation of decisions of May meeting of Communist parties. Creation of 3 Standing Commissions.
10th Session	11-13 Dec. 1958	Prague	All full members (Vice-Premiers) & observers from CPR, Mongolia, N.Korea, N.Vietnam	Specialization in chemicals and engineering. Joint construction of oil pipeline (Agreement signed 19 December, 1959). Recommendations on draft Statute.
11th Session	13-16 May 1959	Tirana	All full members (Vice-Premiers) & observers from CPR, N.Korea, N.Vietnam and Mongolia	Project for 220-Kv electricity grid. Various specialization agreements. Trade with Asian socialist states.
12th Session	10-14 Dec. 1959	Sofia	All full members (Vice-Premiers) & observers from CPR, N.Vietnam, N. Korea and Mongolia	Approval of Statute and Convention on Immunities. Co-ordinated expansion of ferrous metals. Aid for exploitation by Albania and Bulgaria of iron-ore. Exchange of views on post-1965 plans.

<u>Meeting</u>	<u>Date</u>	<u>Place</u>	<u>Attendance</u>	<u>Subjects covered</u>
AD HOC MEETING	2-3 Feb. 1960	Moscow	First Party Secs of all full members	Agricultural development
13th Session	26-29 July 1960	Budapest	All full members (Vice-Premiers) & observers from CPR, N.Vietnam, N. Korea and Mongolia	Measures related to proposals of February meeting of Party leaders to exchange experience in agriculture. Establishment of Standing Commission for Peaceful Uses of Atomic Energy. Rules of Procedure for the Session and other organs agreed.
14th Session	28 Feb.-3 March 1961	Berlin	All full members (Vice-Premiers). Observers from N. Vietnam, N. Korea, Mongolia	Specialisation in chemicals Conclusion of Trade Agreements 1961-65.
15th Session	12-15 Dec. 1961	Warsaw	All full members except Albania (Vice-Premiers) Observers from N. Vietnam, N.Korea and Mongolia	Basic Principles adopted (& finally approved at meeting of Party Secretaries in Moscow, 6-7 June, 1962). Established Control Office for electricity grid.
AD HOC MEETING	6-7 June 1962	Moscow	First Party Secretaries and Premiers of all full members (without Albania) and <u>Mongolia</u>	Specialisation and coordination
16th Session (EXTRA-ORDINARY SESSION)	7 June 1962	Moscow		Implementation of recommendations of Party meeting 6-7 June Established Executive Committee, 3 more Standing Commissions, Bureau for Integrated Planning Problems. Amended Statute to admit non-European countries. <u>Admitted Mongolia to Full membership.</u>

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<u>Meeting</u>	<u>Date</u>	<u>Place</u>	<u>Attendance</u>	<u>Subjects covered</u>
17th Session	14-20 Dec. 1962	Bucharest	All full members except Albania (Vice-Premiers) Observer from N. Vietnam	Coordination of investment plans beyond 1965. Establishment of Standing Commission on Currency & Finance. Proposed creation of international bank.

(Cuba attended meetings of certain Standing Commissions as an observer in autumn 1962)

23 December 1962 : CMEA Secretary, Fadleyev, hold a press conference in Bucharest that Albania officially "broke off" participation in the CMEA after the 22nd CPSU Congress in October 1961

AD HOC MEETING	24-26 July 1963	Moscow	} Conference of First Party Secretaries & Premiers of all full members (No observers)	Review of develop- ments in the CMEA
18th Session	25-26 July 1963	Moscow		
-	17 Sept. 1964	Moscow	-	Signing of Agreement between Yugoslavia and the CMEA
19th Session	28 Jan.- 2 Feb. 1965	Prague	All full members (Vice-Premiers), including Mongolia. Observers from Yugoslavia, N. Korea & Cuba	Endorsed Agreement with Yugoslavia. Coordination of research.
20th Session	8-10 Dec. 1966	Sofia	All full members (Vice-Premiers). Yugoslav obser- ver.	Coordination of research. Joint investment in ferrous metals.
21st Session	12-14 Dec 1967	Budapest	All full members (Vice-Premiers). Observers from Yugoslavia & N. Vietnam.	Coordination of 1971-75 plan. Currency and finance problems.

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<u>Meeting</u>	<u>Date</u>	<u>Place</u>	<u>Attendance</u>	<u>Subjects covered</u>
22nd Session	21-23 Jan. 1969	Berlin	All full members (Vice Premiers) Observers from Yugoslavia and Cuba	Specialisation in machine-building Agreement to accelerate work on finance and currency, and foreign trade problems.
23rd Session SPECIAL SESSION	23-26 April 1969	Moscow	First Party Secretaries & Premiers of <u>All</u> full members	Coordination of national plans. Agreement on advisability of establishing an investment bank. Proposals for 'Integration Programme'.
24th Session	12-14 May 1970	Warsaw	All full members (Premiers) Yugoslav observer.	Acceptance of draft agreement on IIB by all members except Romania (the agreement to be signed before 10 July 1970). Improvements in multilateral clearing and development of IBEC.
25th Session	27-29 July 1971	Bucharest	All full members (Premiers) & Yugoslav observers (led by Vice-Premier Grlićkov)	Adoption* of "Integration Pro- gramme".
26th Session	10-12 July 1972	Moscow	All full members (Premiers). Observers from Yugoslavia (led by Premier Bijedić), Cuba & N. Korea.	Cuba admitted to full membership. Review of progress in "Integration Programme". Prelimin- ary Agreement to build a cellulose machine at Ust-Ilimst by all full members except Czechoslovakia & Mongolia.
	16 May 1973	Moscow	-	Signing of Agreement on Cooperation between the CMEA and Finland

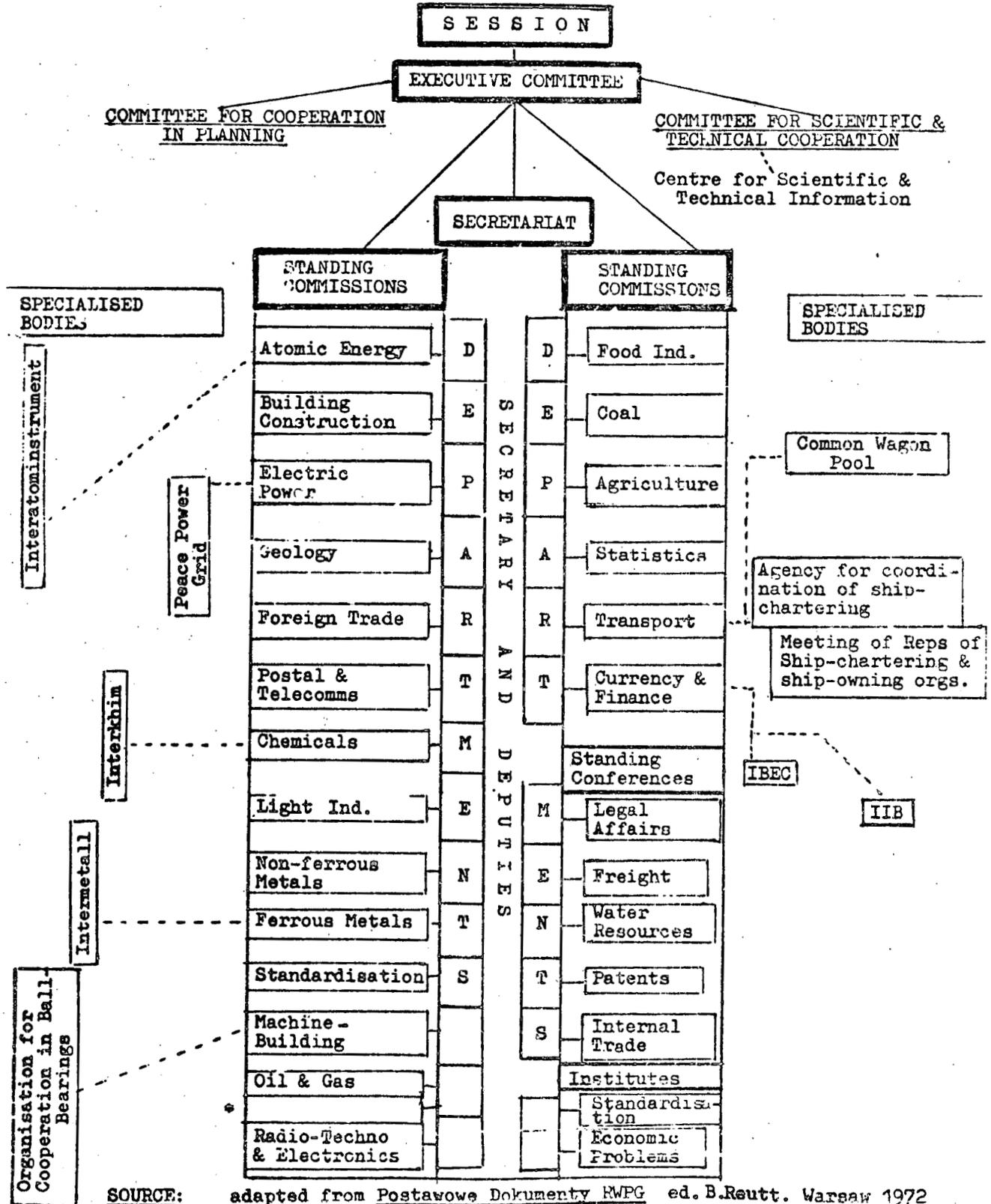
The Programme was endorsed at a meeting in the Crimea on 2 August 1971 of the First Party Secretaries of all CMEA full members except Romania. The meeting did not, however, discuss solely CMEA affairs.

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<u>Meeting</u>	<u>Date</u>	<u>Place</u>	<u>Attendance</u>	<u>Subjects covered</u>
27th Session	5-8 June 1973	Prague	All full members (Premiers, except for Cuba and GDR who sent Vice- Premiers). Observers from Yugoslavia (led by Vice-Premier), N.Korea and N.Vietnam.	Co-ordination of 1976-80 plans and raw material and energy supplies. Endorsement of agreement on co- operation between Finland and the COMECON. Establishment of IIB fund for LDCs.
28th Session		Sofia		

THE INSTITUTIONAL STRUCTURE OF THE CMEA

APPENDIX III



* This does not include all the recently established specialised bodies mentioned in Appendix

APPENDIX IV

CMEA ORGANISATIONS

<u>ORGANISATION</u>	<u>PURPOSE</u>	<u>MEMBERS</u>	<u>FOUNDED</u>
Intermetall	To make more rational use of capacity in ferrous metal-lurgy plants, to promote specialisation and standardisation, to increase production of high grade steel products. Plans for joint development of large iron and steel plant at Kursk in USSR.	Bulgaria, GDR, Czechoslovakia, Poland, USSR, Hungary, Romania and Yugoslavia have working agreement with it.	1964
Interkim	Promotes specialisation in the field of small tonnage chemicals, particularly organic dyes, chemical products for plant protection and for textile and polymer industries.	Bulgaria, GDR, Poland, Romania, USSR, Hungary, Czechoslovakia.	1969
Organisation for cooperation in CMEA countries Bearings' Industry	Intended to make better use of production capacity by increased coordination and product specialisation. Coordination of research, exchange of scientific documents. Members today produce 98% of their requirements.	Originally Bulgaria, Hungary, GDR, Poland and Czechoslovakia. USSR joined six months later. Romania joined in 1971.	1964
Common Freight Car Pool	Rationalisation of railway rolling stock between CMEA countries. Each member contributes a number of wagons for international use, but retains ownership rights. Pool now has 250,000 wagons.	Bulgaria, GDR, Czechoslovakia, Poland, Romania, Hungary, USSR.	1964

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<u>ORGANISATION</u>	<u>PURPOSE</u>	<u>MEMBERS</u>	<u>FOUNDED</u>
MIR Power Grid	All the East European countries are linked by a high voltage transmission grid with the USSR; can take advantage of different peak load periods in various countries, enabling them to work on smaller reserve capacities, combined total installed capacity of member countries now 65,000 MW. In 1973 exchange of electric power among countries via the MIR grid was 23,000 million kwh.	Bulgaria, GDR, Hungary, Poland, USSR, Czechoslovakia	1962
Druzha (Friendship) Pipeline	Construction of an international oil pipeline. Construction began 1960. Work substantially finished 1964. Total length then 5327 Km. In 1969 work started on a duplicate line of the northern branch, which was completed in May 1973. Estimated that 250 m tons of oil has been supplied by USSR to Eastern Europe via the pipeline.	(i) USSR, Hungary and Czechoslovakia (ii) USSR, Poland and GDR.	1959
INTERGORMASH	To develop mining machines capable of operating under difficult geological conditions.	Bulgaria, Hungary, Czechoslovakia, GDR, Poland, Romania, USSR.	1971
International Institute for Economic Problems of the World Socialist System	To study methods of joint economic forecasting, joint planning and problems of specialisation.	All CMEA countries	After CMEA 24th Council Session 1970
International Centre of Scientific and Technological Cooperation	To provide information services, publish data, engage in scientific research, train personnel. Centre to be regarded by law as juridical person.	Bulgaria, Hungary, GDR, Mongolia, Poland, Romania, USSR and Czechoslovakia.	1969
Agromash	To co-ordinate, specialise and organise, research, development and production and supply to CMEA countries machinery for fruit, vegetable and vine cultivation	Bulgaria, Hungary USSR joined 1969 GDR joined 1973	1966

<u>ORGANISATION</u>	<u>PURPOSE</u>	<u>MEMBERS</u>	<u>FOUNDED</u>
Intransmash	To tackle the problem of internal transport in factories and plants, of loading and unloading processes (including storage) for industrial goods.	Bulgaria, Hungary	1969
Interatom-instrument	To promote co-operation in nuclear precision engineering; to introduce systematic management and control of productive capacity and eventually to organise international contracts for its members. It is expected to be self financing by 1975.	14 organisations (enterprises, foreign trade agencies and organisations) of all CMEA members except Mongolia, Cuba and Romania.	1972
Interkosmos Research Programme	Studies in solar-terrestrial relations. Exploration of outer space - geophysical investigations.	Bulgaria, Cuba, GDR, Czechoslovakia, USSR, Hungary, Mongolia, Poland, Romania.	1971
Interetalon-pribor	Joint research, development and planning and production of measuring aids with high standard of precision, equipment for fitting out laboratories.	Poland, Bulgaria, Czechoslovakia, USSR, GDR, Romania.	1973
Interkomponent	To rationalise production of electronic components. Co-ordination of telecommunications spare parts. Specialisation in purchase of licences and know how.	Poland, Hungary	1973
Medunion	An amalgamation incorporating medical equipment plants from CMEA countries. To deal with development and co-ordination of exports to non-communist countries.	Poland, Hungary, USSR, GDR, Czechoslovakia	1972
Interport	National and integrated use of GDR and Polish ports. Co-ordination of joint construction of port facilities. Standardisation of port equipment. Open to other countries.	GDR, Poland	1973 [to operate from 1-1-1974]
Assofoto	Plan and direct co-operation in research, development and production of photochemical and magnetic materials for information storage.	USSR/GDR	1973

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<u>ORGANISATION</u>	<u>PURPOSE</u>	<u>MEMBERS</u>	<u>FOUNDED</u>
Interatomenergo	Co-operation in production of equipment for nuclear power stations. Co-ordination in their construction, training of staff and technical aid.	USSR, Poland, Czechoslovakia, GDR, Bulgaria, Romania, Hungary Yugoslavia	1973
InterELEKTRO	Meet demands of member countries for electro-technical products such as generators, turbines, large electrical machinery; joint forecasts, planning, production, delivery, purchase of licences.	USSR, Poland Czechoslovakia Hungary, Romania, GDR, Bulgaria	1973
Intertextilmash	Co-operation in textile-machine building; joint R and D, specialisation, delivery of such machines and equipment, technical services.	USSR, Poland, Czechoslovakia GDR, Bulgaria, Hungary, Romania	1973
Intergazochistka	Research and development to design and produce equipment for air purification.		1973
Interphos	Co-ordinate specialisation in manufacture of phosphorus fertilisers.		1974
InterAKSS (Interlinked Automated and Integrated Communications System)	Automatic linkage of major urban centres of CMEA member countries. Provision of simultaneous telephone, telegraph and other kinds of communication, including by artificial earth satellites, primarily for communication with Cuba and Mongolia.		1974
Intertara	Proposal to set up packaging organisation.		Proposed Jan 1974
Interkhisvolokno	Proposal to set up synthetic fibres organisation.		Proposed Feb 1974
International Ship Owners' Association	The INSA affiliates ship owners from CMEA countries.	Bulgaria, GDR, Czechoslovakia, USSR Poland, Hungary Cuba, Yugoslavia.	1970
Interholodtrans	Organisation for refrigerating transport (rail and road).		April 1974
Interholod-technika	Design, construction, production and marketing activities with regard to refrigeration equipment.		April 1974

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APPENDIX V

MAIN PROVISIONS OF THE CMEA COMPREHENSIVE PROGRAMME

1. MACHINE BUILDING

- (i) To formulate in 1971-73 power equipment requirements for 1976-80 (and tentatively until 1985) - particularly with regard to construction of nuclear power stations.
- (ii) To forecast development of mining and petroleum extracting equipment for period to 1980 - to improve mechanisation and automation in mineral exploitation.
- (iii) To formulate in 1971-75 proposals for production specialisation in basic groups of metal cutting machine tools, including automatic lines and integrated machine tool units for the bearings, tractor and tool industries.
- (iv) To develop in 1971-74 unified numerical programme control systems for machine tools.
- (v) In 1971-72 to draw up plans for production specialisation in the manufacture of freight cars and diesel locomotives.
- (vi) By 1975 to ensure technical facilities for the introduction of CMEA container system.
- (vii) In 1971-72 to formulate proposals for production of trucks and lorries and specialisation in motor vehicle assembly and parts.

Other industrial sectors where machinery and equipment plans were laid down in the Programme include:

- (a) Technical lines for the production of ammonia and ethylene.
- (b) equipment for processing rubber and plastics.
- (c) Specialisation in delivery of installations for production of plastics, chemical fibres and artificial silks.
- (d) Light industry, equipment for textile, leather, knitwear, footwear, wood-working and printing industries.
- (e) Food industry - equipment with high degree of mechanisation for dairy, milling, baking, canning, meat and brewing industries.
- (f) Consumer goods (refrigerators, washing machines, domestic electrical appliances).

2. CHEMICAL PULP AND PAPER INDUSTRIES

- (i) To formulate proposals in 1971 on construction of plants for production of yellow phosphorus(USSR) and enterprises to produce ammonium phosphate.
- (ii) To co-ordinate efforts in construction of large ethylene installations and exchange of hydro-carbon products.

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(iii) To formulate proposals in 1971-72 on construction of a pulp and paper plant in USSR with help from other interested countries.

(iv) Specialisation in heavy plastics.

(v) Specialisation in production of isoprene rubber.

3. TRANSPORT

(i) Forecast volume of passenger and freight transport in period 1975-1995.

(ii) To formulate in 1971 and implement a programme of standardisation of goods' wagons.

(iii) To ensure the switching of the 1435 mm gauge rolling stock of CMEA countries to unified automatic coupling simultaneously with the switch to rolling stock automatic coupling by western countries.

(iv) To organise in 1973/74 a special inter-CMEA network of express trains.

(v) To improve organisational handling of sea freight.

(vi) Increase freight traffic on the Danube.

(vii) To develop and modernise CMEA countries' international roads.

(viii) To extend the network of international air services.

(ix) To conclude in 1972 a multilateral agreement on the introduction of a unified container system between CMEA countries.

4. FERROUS METALLURGY

(i) Extraction, enrichment and pelletisation of iron ores on a scale meeting CMEA countries' requirements.

(ii) To conclude in 1971-73 agreements between interested CMEA countries and the USSR on co-operation in creating capacities for ferro-alloy production.

(iii) To study in 1971-72 the possibility of manganese ferro-alloy production in Bulgaria.

(iv) To meet CMEA import requirements for metallurgical coke chiefly by deliveries from Poland, USSR and Czechoslovakia.

(v) To formulate in 1971-72 proposals for specialisation in types of rolled metal and pipes for which new capacities have to be created.

(vi) To formulate proposals in 1971 on possible joint construction of a large metallurgical works in the USSR and on the construction of plants to produce various kinds of steel.

5. NON-FERROUS METALLURGY

- (i) To increase production of copper in Poland and USSR, zinc in Poland and nickel in USSR with assistance from interested CMEA countries. To prepare and conclude agreements in 1972-73.
- (ii) To study Mongolian proposals on joint utilisation of her deposits of copper, tin, tungsten, molybdenum in 1972-73.
- (iii) To develop co-operation in the utilisation of free metallurgical capacities in the CMEA countries for production of non ferrous metals from raw materials supplied by the customer.
- (iv) To formulate in 1971-72 proposals for new capacities to process non ferrous metals.

6. SCIENCE AND TECHNOLOGY

The main scientific and technical problems for joint investigation are deemed to be:

- (i) Selection and creation of high yield strains and hybrid agricultural crops.
- (ii) The discovery of new types of pesticides and biological plant protection methods.
- (iii) Mechanisation, electrification and automation in agriculture, livestock raising and forestry.
- (iv) Research in seas and oceans with aim of utilising their mineral resources.
- (v) Synthetising of new plastics and synthetic resins.
- (vi) The creation of programme control systems for metal processing machine tools.
- (vii) Research into organisational control, cybernetics and operational research.
- (viii) The introduction of nuclear power on an industrial scale.
- (ix) The development of new industrial catalysts.
- (x) Development of measures for protecting metals against corrosion.

Co-operation on these problems is intended to be implemented on the basis of comprehensive research programmes. Co-operation will take the form of co-ordination centres and joint laboratories. The interested countries scheduled to conclude agreements or contracts with respect to the above problems in 1971.

7. FOREIGN TRADE

- (i) Development of foreign trade will continue to be on the basis of state monopoly, while the basis of planning will be strengthened and improved.
- (ii) The CMEA countries will make every effort to expand reciprocal barter in excess of levels stipulated by agreements.
- (iii) Long term trade agreements will be concluded no later than the fourth quarter of the year preceding the action of these agreements.
- (iv) Further development of the countries' reciprocal trade in machinery and equipment. In connection with this, CMEA countries will adopt measures to improve the system of technical servicing of machinery and delivery of spares.
- (v) The CMEA countries will conduct a comprehensive study before the end of 1972 into ways of improving the system of foreign trade prices.

8. FINANCE

The 'Programme' lays down a strict time table for the movement towards intra-CMEA convertibility of the transferable rouble. Before the end of 1973 CMEA countries will:

- (i) Conduct a study of the conditions ensuring the realistic nature of the exchange rate and gold content of the transferable rouble.

By 1974 CMEA members must:

- (ii) Resolve as far as possible the problem of the relationship between domestic wholesale prices and foreign trade prices.
- (iii) Determine "economically substantiated and mutually agreed ratios between the national currencies and the transferable rouble and between each other".

By 1976-79:

- (iv) Study the possibilities and problems of single exchange rates for each currency and move towards the "preconditions" for the introduction of such single rates.

By the end of 1980.

- (v) Agree a deadline for the introduction of the single exchange rate for each currency.

There is also a proposal in the longer term that the use of the transferable rouble should be extended to transactions with other countries, particularly other "socialiser countries" and developing countries.

The extension of trade and multilateral transactions is to be promoted by the development of the system of short - medium and long term credits through the International Bank for Economic Co-operation and the International Investment Bank.

I B E C

- (i) Credits and interest rates must promote more actively the development of the countries' foreign trade turnover and the fulfilment of their mutual commitments.
- (ii) The bank's system of credit will be made more elastic but the automatic granting of credits will be restricted.
- (iii) The bank will apply preferential terms to credits granted to countries whose exports are markedly seasonal in nature.
- (iv) A study will be made of the need to further increase the bank's authorised capital in convertible (hard) currency.

I I B

- (i) This bank will develop a system for providing medium and long term credits for projects linked with the "international socialist division of labour", product specialisation and co-operation, extending the raw material and fuel base and joint CMEA projects.
- (ii) Member countries of the IIB will provide the bank with money assets, organisational conditions and the bank management system necessary for implementing the tasks to finance the above measures, bearing in mind that the bank will ensure profitability in its work.
- (iii) Special funds may be set up for the provision of credits to joint CMEA projects in member countries and for the provision of credit relating to economic and technical assistance to the developing countries.

9. I N T E R N A T I O N A L O R G A N I S A T I O N S

CMEA countries will formulate and implement specific measures for improving the activity of both existing and newly created international economic organisations, particularly those engaged in trade and production. These organisations will not be supra national in nature, nor will they touch on internal planning questions.

With regard to their nature and legal status, organisations can be of two types:

- (i) Interstate economic (ekonomecheskiy).
- (ii) International economic (khozyaystvennyy)

In the former the State is represented by its ministries, state committees or departments, whereas in the case of the latter the organisations comprise the interested enterprises, trusts, associations and combines (main administrations operating with some degree of financial autonomy) which are subject to civil law. The participants preserve their full property, organisational and legal independence.

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10. FUELS AND ENERGY

For some time the Soviet Union has been trying to alter the customary imbalance in its trade with CMEA of fuels and power exports for machinery and finished goods imports, by encouraging its CMEA partners to invest in its extractive industries. Some small-scale projects have gone ahead but they account for a minute proportion of total Soviet production. Generally the East European countries have neither the capital nor the technology, or in some cases the political will, to assist in the exploitation of Soviet energy resources.

The CMEA programme lays down:

- (i) In 1971-73 a forecast of fuel and power requirements for 1990 and proposals for co-operation, and a forecast of the fuel and power balance in 1980 in CMEA countries.
- (ii) In 1972-73 to forecast long term development and proposals for co-operation in electric power engineering, the CMEA power grid, coal and coking coal.
- (iii) In 1973-74 to examine on this basis proposals for construction of new intersystem links.
- (iv) In 1971-73 to forecast nuclear fuel requirements and development of nuclear power engineering capacity for the period to 1990.

In connection with (ii) CMEA was scheduled to discuss in 1971 Polish proposals to create additional capacity for coal extraction, in 1971-72 Mongolian proposals for extraction of power producing and coking coals, in 1972 to study Soviet proposals on possible volumes of oil and gas exports to CMEA countries for the period up to 1980 and the terms for co-operation between interested countries in creating additional capacities for extraction and transportation of oil and gas and to prepare corresponding agreements in 1973.

11. AGRICULTURE

- (i) To work out by the end of 1972, under an agreed programme and methodology, a forecast of demand up to 1985 of production and sales of certain types of output.
- (ii) To ensure greater co-ordination of long term plans in agreed sectors and types of produce, extension between interested countries of co-operation and specialisation in agriculture production and the food industry and increased mutual deliveries of agricultural and food products.
- (iii) To proceed in 1971 with study of potential areas for co-operation and to conclude multilateral contracts between interested countries before the end of 1973.
- (iv) To examine in 1972 the possibility and expediency of implementing joint planning in production and sales of certain sectors of the industry.

- (v) To study by 1973 a system of incentives to aid greater production.
- (vi) Areas of agricultural research are to include:
 - (a) Livestock raising.
 - (b) Measures to combat agricultural and animal pests and diseases.
 - (c) Use of isotopes and nuclear radiation in agriculture.
 - (d) Improvement of soil fertility.
 - (e) Development and application of industrial methods in agriculture.
 - (f) Increased efficiency in animal feeding.

CMEA FOREIGN TRADE

APPENDIX VI
(a)

	1960	1965	1970	1971	1972
	TURNOVER		M\$		
Bulgaria	1204	2353	3836	4302	5243
Hungary	1826	2996	4781	5434	6433
GDR	4403	5876	9421	10050	12173
Cuba	1188	1557	2358	2247	2111
Mongolia	169	180	199	232	289
Poland	2821	4568	7156	7910	10319
Romania	1364	2178	3809	4202	5254
USSR	11192	16234	24532	26286	31637
Czechoslovakia	3746	5361	7488	8190	9645
	EXPORT		M\$		
Bulgaria	572	1176	2005	2182	2653
Hungary	874	1510	2317	2501	3315
GDR	2208	3068	4578	5072	6227
Cuba	608	692	1047	860	809
Mongolia	72	81	84	105	131
Poland	1326	2228	3548	3872	4957
Romania	717	1101	1850	2100	2618
USSR	5563	8177	12800	13807	15473
Czechoslovakia	1930	2689	3792	4180	4950
	IMPORT		M\$		
Bulgaria	632	1177	1831	2120	2590
Hungary	952	1486	2464	2933	3118
GDR	2195	2808	4843	4978	5946
Cuba	580	866	1311	1387	1302
Mongolia	97	99	115	127	158
Poland	1495	2340	3608	4038	5362
Romania	647	1077	1959	2102	2636
USSR	5629	8057	11732	12479	16164
Czechoslovakia	1816	2672	3696	4010	4695

	1960	1965	1970	1971	1972
	BALANCE		M\$		
Bulgaria	- 60	- 1	+ 174	+ 62	+ 63
Hungary	- 78	+ 24	- 147	- 432	+ 197
GDR	+ 13	+260	- 265	+ 94	+ 281
Cuba	+ 28	-174	- 264	- 527	- 493
Mongolia	- 25	- 18	- 31	- 22	- 27
Poland	-169	-112	- 60	- 166	- 405
Romania	+ 70	+ 24	- 109	- 2	- 18
USSR	- 66	+120	+1068	+ 1328	- 691
Czechoslovakia	+114	+ 17	+ 96	+ 170	+ 255
	% Change in Turnover				
	1970/ 1960	1970/ 1965	1972/ 1971	1972/ 1970	
Bulgaria	+219	+ 63	+ 22	+ 37	
Hungary	+162	+ 60	+ 18	+ 35	
GDR	+140	+ 60	+ 21	+ 29	
Cuba	+ 98	+ 51	- 6	- 10	
Mongolia	+ 18	+ 11	+ 25	+ 45	
Poland	+154	+ 57	+ 30	+ 44	
Romania	+179	+ 75	+ 25	+ 38	
USSR	+119	+ 51	+ 20	+ 29	
Czechoslovakia	+100	+ 40	+ 18	+ 29	
Exchange Rate used: 0.9 roubles = 1 US \$ to 1971 and thereafter 0.823 " = 1 US \$.					
SOURCE: CMEA HANDBOOK					

PERCENTAGE DISTRIBUTION OF FOREIGN TRADE IN 1972

APPENDIX VI (C)

	Communist Countries			Balance M \$
	Turnover	Exports	Imports	
Bulgaria	80.2	80.6	79.8	+ 70
Hungary	68.1	69.8	66.4	+ 245
GDR	71.0	75.4	66.5	+ 744
Cuba	69.2	56.9	76.9	- 538
Mongolia	99.0	99.1	98.8	- 28
Poland	62.3	63.6	61.2	- 131
Romania	53.7	55.8	51.6	+ 101
USSR	64.5	65.1	64.0	- 282
Czechoslovakia	71.3	71.9	70.7	+ 238
	CMEA Member Countries			M \$
Bulgaria	78.1	78.1	78.1	+ 49
Hungary	65.0	66.0	63.9	+ 197
GDR	67.8	71.8	63.7	+ 689
Cuba	61.2	47.3	69.8	- 526
Mongolia	95.4	94.9	95.7	- 28
Poland	59.4	60.6	58.2	- 117
Romania	46.6	47.8	45.4	+ 56
USSR	59.6	59.3	59.9	- 507
Czechoslovakia	67.1	67.6	66.7	+ 214

	Developed West			Balance M \$
	Turnover	Exports	Imports	
Bulgaria	14.0	13.1	15.0	- 41
Hungary	26.2	24.5	27.8	- 51
GDR	25.8	21.0	30.8	- 524
Cuba	25.1	33.9	19.7	+ 17
Mongolia	1.0	0.9	1.2	- 1
Poland	32.3	30.4	34.1	- 318
Romania	37.6	34.2	40.9	- 181
USSR	22.6	19.2	25.9	- 1215
Czechoslovakia	21.4	19.6	23.3	- 123
	Developing Countries			M \$
Bulgaria	5.8	6.3	5.2	+ 32
Hungary	5.7	5.7	5.8	+ 2
GDR	3.2	3.6	2.7	+ 63
Cuba	5.7	9.2	3.4	+ 29
Mongolia	-	-	-	-
Poland	5.4	6.0	4.7	+ 45
Romania	8.7	10.0	7.5	+ 63
USSR	12.9	15.7	10.1	+ 807
Czechoslovakia	7.3	8.5	6.0	+ 139

SOURCE: CMEA HANDBOOK

PERCENTAGE DISTRIBUTION OF COMMODITY TRADE IN 1970 AND 1972

APPENDIX VI (d)

		Machinery and Equipment		Fuels, minerals, raw materials and metals		Vegetable and animal raw materials and foodstuffs		Industrial Consumer Goods		Chemical products, fertiliser, rubber, building materials	
		EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	EXPORTS	IMPORTS	Other EXPORTS	IMPORTS
Bulgaria	1970	29.0	40.6	8.1	29.1	43.4	15.9	14.7	5.7	4.8	8.7
	1972	35.0	46.4	8.3	27.3	40.4	12.2	12.4	6.0	3.9	8.1
Hungary	1970	32.6	30.9	14.4	23.6	26.7	24.4	21.3	7.7	5.0	13.4
	1972	33.5	35.3	12.1	24.0	26.4	20.9	22.8	6.7	5.2	13.1
GDR	1970	51.7	34.2	10.1	27.6	7.4	28.1	20.2	4.5	10.6	5.6
	1972	51.3	32.1	10.0	28.1	8.0	25.4	18.8	5.6	11.9	8.8
Cuba	1971	-	N/A	15.7	N/A	84.0	N/A	0.2	N/A	0.1	N/A
	1972	-	N/A	15.5	N/A	83.7	N/A	0.2	N/A	0.6	N/A
Mongolia	1970	0.3	27.2	5.2	13.4	87.6	15.7	6.0	33.1	0.9	10.6
	1972	0.5	26.5	4.1	12.3	87.3	17.2	7.5	34.8	0.6	9.2
Poland	1970	38.5	36.2	23.9	26.6	15.9	21.4	16.1	6.4	5.6	9.4
	1972	39.1	38.9	22.7	24.2	15.0	20.1	16.0	7.9	7.2	8.9
Romania	1970	22.8	40.3	22.7	30.4	26.8	15.4	18.1	5.5	9.6	8.4
	1972	24.9	46.1	16.5	26.6	28.6	15.4	18.9	5.1	11.1	6.8
USSR	1970	21.5	35.5	38.2	11.8	19.5	24.8	2.7	20.1	18.1	9.6
	1972	23.6	34.6	39.1	12.1	16.8	25.6	3.1	18.6	17.4	9.1
CZECHOSLOVAKIA	1970	50.4	33.4	18.6	23.5	7.3	24.1	16.6	8.5	7.1	10.5
	1972	49.4	33.8	17.2	26.0	7.6	22.4	18.7	7.8	7.1	10.0

SOURCE: CMEA HANDBOOK

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SPECIALISATION BY COMMODITY IN CMEA

APPENDIX VII

Commodity	USSR	Bulgaria	GDR	Poland	Hungary	Romania	Czechoslovakia
Electric motors	Most types	Single phase				Three phase	Heavy electric motors
Metal cutting machine tools, forging and pressing equipment	Metal cutting shears, automatic forges and presses	Metal cutting lathes, boring machines, drills, forging presses, grinders, planers, polishers, thread-broaching machines	Milling machines, optical grinding machines, automatic machine tools, stamping presses	Centre lathes, vertical and face lathes, precision gear lathes, milling tools	Wire pulling machines, edging machines, milling machines, grinding and surface dressing machines, drills	Thread cutting lathes, multi-axle lathes, circular saws, drills, pipe threading machines, power hacksaws, pneumatic hammers, presses, shapers	Grinding machines, copy milling machines, toggle presses, welding equipment, centre lathes, spark erosion systems, turret lathes
Power equipment	Internal combustion turbine steam generators, diesel generators, primary parts for nuclear reactors	Boilers, turbines, power transformers, ceramic insulators, regulating transformers	Transformers, generators, switch-gear, voltage regulators	Generating sets, turbines, water turbines, direct current machinery	Power transformers, power transmission, cables, turbines, voltage stabilisers, power stations	Thermopower plants, transformers, gas generators, circuit breakers, power capacitors, high current isolating switches	Turbines, hydro-electric power equipment, transformers, electric circuitry, secondary parts for nuclear power stations
Marine and stationary diesels	Both	Stationary	Stationary and marine engines	Marine diesel engines		Diesel engines for trucks	
Mining equipment	Coal combines, rock loaders, perforators	Colliery winding machines, impact rotary drills, stone crushers, vibration screens	Open cast mining equipment, pit dredgers	Mechanical coal miners for thick and medium layers, conveyor belts for open cast mining, mining lamps, processing coal waste	Processing coal waste	Mining locomotives (diesel) ore crushers	Mechanical coal miners for thin and inclined seams
Tractors	Caterpillar and wheeled tractors	Three wheeled tractors, vineyard tractors		Crawler tractors, front and rear axle, steering etc and complete tractors	Spare parts, general purpose tractors	10 types of caterpillar and wheeled tractors	Wheel tractors, motor transmission and brakes
Automotive Industries	Lorries, cars, front suspension units, windscreen and plugs	Electric trucks, motorcycles, car batteries, trailer vans	Cars, refrigerated lorries	starter motors, gear-boxes, fuel injection pumps, radiators, headlights, mini buses, ambulances, shock absorbers	Door locks, motor-cycles, buses, coaches, axle housings, aluminium engine blocks, car jacks, car radios.	3-5 ton lorries, special purpose trucks, vans, jeeps	Cars, lorries, Tatra engines, refrigerated vans, motor-cycles, tramcars, gearboxes

Commodity	USSR	Bulgaria	GDR	Poland	Hungary	Romania	Czechoslovakia
Electrical goods	Transformers, high voltage equipment, cables	Telephone lines, electric calculators, pumps, conductors, miniature batteries, radar equipment, resistors and capacitors	Marine electrical components, digital computers, condensers, voltage regulators	Telecommunications, bulbs, aeriels, amplifiers, radio and TV transmitters	Industrial television, tuners for VHF sets, telecommunications, microwave equipment, ignition motors, dynamos, TV receivers, fluorescent tubes	TV sets, cathode ray tubes, telephone exchanges	Radio equipment, telephone exchanges, shock-proof bulbs, power cables
Hoisting equipment	Truck mounted cranes, tower cranes	Forklift trucks, electric hoists	Caterpillar slewing cranes, dockside cranes	Hydraulic cranes, lift motors, crane derricks	Portal cranes, floating cranes (60-400 tons)	Tower cranes	Diesel engine fork lift trucks
Equipment for food industry	Confectionery, meat packaging, dairy goods, viticulture	Warehouse refrigeration, canning, greenhouses, tobacco processing, vegetable oil, viticulture, pig breeding plants	Meat processing, sugar refineries, milk cooling units	Meat processing, sugar refineries, refrigeration units, brewers, distilleries	Ice cream trolleys, pig breeding farms, cheese processing, meat curing, viticulture, bakeries, deep freezers, flour mills, humidifiers	Canning, spice grinders, sausage fillers, pasteurisation plant, refrigeration units	Confectionery, cigarette making machinery
Laboratory and medical equipment	Measuring instruments	Precision balances, digital voltmeters	Respiratory equipment, ultrasonic equipment, medical tools	Precision instruments, microscopes	Complete laboratories, measuring instruments, oxygen tents, incubators, X-ray equipment	Optical equipment, microscopes	Dental equipment
Oil industry equipment	Small drilling rigs, drilling rig assemblies, tankage equipment		Smaller pipes			Deep drilling equipment, oil refinery equipment, tri-cone roller bits, pumping jacks, flowing well fittings	Larger pipes
Agricultural machinery	Grain combine harvesters, grain drying machines, hay stackers/balers, milking units	Crop dusters, tractor seeders, tractor ploughs, drills, haymowers, irrigation pumps, reapers, straw balers, threshers	Combine harvesters, chemical fertiliser spreaders, beet harvesters, feed grinders, balers	Chemical fertiliser spreaders, dairy industry equipment, potato diggers	Stubble stripping ploughs, plant protecting machines, fodder drying equipment, legume harvesters	Maize sowing machines	Grain driers, beet harvesting combines, potato planters, combine harvesters

Commodity	USSR	Bulgaria	GDR	Poland	Hungary	Romania	Czechoslovakia
Railway rolling stock	Diesel locomotives	Freight cars, wagons	Passenger coaches	Rolling stock, passenger coaches, mail wagons, railway dump cars	Dining cars, diesel locomotives, wagons	Diesel locomotives, railway tank wagons, bogies, freight cars	Electric locomotives, rolling stock
Ships and ships equipment	Hydrofoils, fishing trawlers, tankers (2,000-60,000 DWT)	Mixed cargo vessels, tankers	General cargo vessels, container vessels, passenger ships, fishing vessels, small pleasure craft, deck machinery, tugs	Bulk carriers, general cargo vessels, container vessels, tankers, sea research ships, fish processing ships	Sea and river craft to 12,500 DWT, barges up to 400 tons	Barges up to 1000 DWTs, oil tankers, ore carriers, refrigerated cargo boats	Marine crankshafts, river barges
Aircraft	Air liners, freighters			Light aircraft, agricultural helicopters			Light aircraft (aerobatic)
Light industry equipment/computers, calculating machines	Weaving looms	Textiles, pocket calculators, ESEVM computers, leather processing installations	Textiles, typewriters and office machinery, digital computers	Spinning and weaving machines, carding machines, shuttle looms, computer peripherals	Industrial sewing machines, cash registers, window frames, small computers	Hosiery machinery, glassware, adding machines, industrial knitting and sewing machines	Glassware, textiles, cigarette making machinery, jet looms and slashing machines, computer peripherals, spindleless spinning machines
Chemicals and related industries	Heavy chemicals	Sulphuric acid, caustic soda, soda ash, drugs, pesticides, plastics, synthetic fibres, toothpaste	Hydrochloric acid, dyes and plastics	Nitric and sulphuric acid, calcium carbide, cement, fertilisers, synthetic fibres	Detergents, lime works, paint factory, low tonnage chemicals, varnishes, paints, dyes, ethylene, propylene, cosmetics	Chlorine, cement kiln, petroleum products, plastics, fertilisers, inorganic salts	Organic dye-stuffs, polymers, synthetic rubber, glycols, ethylene oxide
Construction machinery for roads	Excavators, bulldozers, scrapers, road rollers	Earth moving equipment, concrete mixers, diesel rollers, excavators	Equipment for roads with bituminous surfaces	Concrete mixers, grit processing plants, excavators, grit processing plant	Bridges, Central heating units, steel structures	Excavators, road rollers, soil pipes, stone crushers, granulators	Equipment for concrete surface roads, excavators
Consumer goods	Vacuum cleaners, cameras, watches, toys, kitchenware, colour TV	Knitwear, clothing, office machinery, clothing tape markers, leather and fur goods	Fabrics/carpets, furniture, cameras	Textiles, furniture, sports goods, gas stoves, food mixers, record players, sewing machines, shoes	Bed linen, gas cooking ranges, hair-driers, shoes, camping equipment, furniture, lawn mowers	Knitwear, electric heaters, wallpaper, furniture, brushes, carpets, household earthenware, perambulators, silverware, washing machines, wallpaper	Jewellery, shoes, paper, silk fabrics, leather products, porcelain and ceramics, glassware, tape recorders, colour TV, tufted carpets

CMRA INTERNATIONAL INVESTMENT BANK CREDITS

DATE OF CREDIT	TOTAL CREDIT (in million transferable roubles)	'HARD' CURRENCY	COUNTRY	ENTERPRISE	USE OF CREDIT	TERMS
August 1971	12.7		Hungary	'Ikarus' Works	To expand and reconstruct works	9 years
↕	20.5		Hungary	State Railways	Electrification, track reconstruction, locomotives	10 "
	5.4		Poland	Factory	Factory to produce electric motors	4-5 "
	3.8		Poland	Plant	Modernisation of precision mechanics plant	5 "
August 1971	5.4		Poland	Factory	Factory to make pneumatic braking systems	7 "
November 1971	77.5		Czechoslovakia	'Tatra' Lorry Works	Replace obsolete equipment, new equipment	12 "
↕	14.4		Hungary	Cotton Combine	Reconstruction + modernisation of enterprise	8 "
	10.6		GDR	Plant	Reconstruction of machine building enterprise	6 "
	4.2		Poland	Factory Shop	For production of gearboxes	3-3 "
	1.8		Poland	Plant	Reconstruction of precision mechanics plant	6 "
	4.5		Romania	Plant	Reconstruction of plant producing railway cars	11 "
	9.8		Romania	Plant	Plant to produce wheel pairs, couplings, bogies	11 "
	6.8		Romania	Chemical Plant	Increase capacity of artificial fibres plant	9 "
	2.0		Romania	Plant	Construction of plant to make railway trucks	11 "
	1.2		Romania	Plant	Modernising 'Autobus' plant	8 "
November 1971	1.1		Romania	Factory Shop	Plant to make braking equipment for railway cars	11 "
TOTAL 1971	181.7	55.8				
April 1972	10.5		Bulgaria	Factory	Tobacco and cigarette factory	
April 1972	14.5		GDR	Chemical plant	Equipment for chemical plant	
October 1972	14.6		Poland	Plant	Machine building plant	
↕	14.6		Poland	Plant	Machine building plant	
	53.4		Romania	Chemical plant	Synthetic fibres plant	
			Romania	Chemical plant	Poly-isoprene works in Berdesti	
	4.0		Bulgaria	Plant	For ball-bearings at Sopot	
October 1972			Bulgaria	Plant	Plant for oxide ferrites and cast magnets	
			Bulgaria	Plant	Plant for low voltage electrolytic condensers	
TOTAL 1972	97.0	57.0				
TOTAL 1973-74	309.2	N/a				

CMEA: AREAS OF RESEARCH BY COUNTRY

Areas of Research	COUNTRIES INVOLVED						
	Bulgaria	Czechoslovakia	GDR	Hungary	Poland	Romania	USSR
Combatting cereal disease	✓	✓	✓	✓	✓	✓	✓
Cultivation on steep slopes	✓	✓					✓
Vegetable and fruit canning	✓						✓
Refrigeration processes				✓	✓	✓	✓
Pedigree livestock	✓	✓	✓	✓	✓	✓	✓
Agriculture mechanisation	✓	✓	✓	✓			✓
High yield seed strains	✓	✓	✓	✓	✓	✓	✓
Tractors in forestry work							✓
Herbicides			✓				
Agrotechnology and Irrigation				✓			
Pesticides					✓		
Wood Processing Technology	✓		✓	✓	✓		✓
Human Environment					✓		
Mining Technology					✓		
Deep Sea Fishing Pact	✓		✓		✓		✓
Study of Sea and Resources					✓		
Offshore Drilling Equipment		✓				✓	
Underwater Equipment		✓					
Plastics Technology					✓		
Anticorrosion methods					✓		
Baltic geological research			✓		✓		✓
Geophysical Rocket Launching	✓	✓	✓	✓	✓		✓
Experimental Nuclear Reactor		✓		✓	✓		✓
Computer Technology		✓		✓	✓		✓
Hydro-technology	✓	✓		✓	✓	✓	✓
Coal Mining Machinery		✓		✓	✓		✓
Medical Equipment		✓		✓	✓		✓
Telecommunications	✓	✓		✓	✓		✓
Pneumatic Control Systems		✓	✓	✓	✓		✓

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INTERNATIONAL BANK FOR ECONOMIC CO-OPERATION

The International Bank for Economic Co-operation was set up in October 1963 by the governments of Bulgaria, Hungary, GDR, Mongolia, Poland, Romania, USSR and Czechoslovakia. The original agreement envisaged the use of a system of multilateral settlements and the transferable rouble. The transferable rouble is the accounting unit of the CMEA currencies, with a nominal gold content of 0.987412 grammes of pure gold. At present the Bank's paid up capital is 120 million transferable roubles, with half that sum in convertible currencies or gold (the statutory capital is 300 million transferable roubles).

The original agreement creating IBEC provided for the establishment of six types of credit.

- (1) For settlement of balances whenever any member has a brief unfavourable trade balance.
- (2) For covering seasonally caused unfavourable balances.
- (3) For payment of unplanned temporary deficits due to a lag in shipments by the debtor.
- (4) For expanding trade above the quotas set in annual plans, with credits repayable at the end of the following year.
- (5) For covering balance of payments deficits due to temporary difficulties which are repayable at the end of the following year.
- (6) For joint investments and modernisation of production facilities.

In practice however only the last three types have been granted by IBEC. Low interest charges on credits provided by IBEC did not encourage the debtors to repay their debts rapidly. As a result a number of changes in the interest rates were made in 1970 and 1971. Beginning in the former year, interest free credits were abolished, except for Bulgaria and Mongolia and for them this type of credit ceased to be granted as of 1 January 1971. Mongolia has since then been favoured with lower interest rates than other CMEA members, who were required to pay 2-3% p/a on short term credits and 3.5 - 5% p/a on credits from 1 - 3 years. While this rate is still too low to encourage rapid repayment by the debtor, the interest paid on deposits with the IBEC is also too low to encourage large deposits. Rates vary from 1.5% p/a (one month) to 4% p/a. (one year or more).

It is the lack of desirable commodities, beyond those included in the foreign trade plans, (which reflect national output targets) which act as a serious limitation on the desire of CMEA members to accumulate balances and drives them towards a bilateral/barter system of exchange. Any deposit with IBEC or interest earned on balances held there is without commodity cover and is outside traditional bilateral balance settlement procedures. They can only be offset by using them for the few items which may be cleared multilaterally, such as payments of capital stock into CMEA banks or as payments for a country's share of expenditure in jointly financed CMEA activities.

In recent years IBEC appears to have been a convenient, if limited source of short term finance for its members' trade with the West, as evidenced by a relatively high annual turnover of hard currency resources. The Bank has been able to increase its original hard currency resources both by attracting deposits from and borrowing

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from the West. Known medium term Eucurrency borrowings are put at over \$150 million. The Poles have frequently suggested the introduction of "partial convertibility" of currency payments in gold, (ie that 10% of clearing balances should be settled in this way) but this idea has received little support.

N A T O R E S T R I C T E DINTERNATIONAL BANK FOR ECONOMIC CO-OPERATION

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BALANCE SHEET

<u>Assets</u>		<u>Liabilities</u>	
As of December 31		As of December 31	
1971		1972	
1. Monetary Funds	in million transferable roubles	1. Capital Funds of the Bank	in million transferable roubles
a. Current accounts and cash on hand	11,057,917	a. Capital paid up	104,711,360
b. Deposits	512,718,081	b. Reserve capital	16,762,277
	523,775,998		113,921,781
2. Credits granted	741,686,100	2. Deposits	
	173,210	a. Current account	91,686,535
3. Property of the Bank		b. Deposits	958,014,618
4. Other Assets	1,687,104		1,049,701,153
	1,267,322,412	3. Credits Received	84,380,520
		4. Other Liabilities	7,316,103
		5. Net Profits	12,002,855
			1,267,322,412
			2,246,039,787

CMEA: INTERNATIONAL INVESTMENT BANK

The International Investment Bank which was established during the process of working out the Comprehensive Programme, began to function on January 1, 1971. The members are Bulgaria, Hungary, GDR, Mongolia, Poland, Romania, USSR, Czechoslovakia and since 1 January 1974 Cuba. According to its charter, the Bank grants medium and long term credits to member countries' official banks, organisations and enterprises and to projects which fulfil CMEA objectives (that is, promote specialisation and co-operation in industrial production and/or expand the raw material base in member countries).

The initial statutory capital of the Bank was set at 1,000 million transferable roubles (1) of which 30% was to be in convertible currencies or gold. Romania's belated admission to the Bank raised the statutory capital to 1052.6 million transferable roubles (the addition of Cuba could add a further 15 million transferable roubles). During the first two years, IIB member countries contributed 35% of the statutory capital, so that at the beginning of 1973 the paid up capital was 368 million transferable roubles. The remainder will be paid in the manner and within the time limits laid down by the Bank's Board with due regard for the Bank's operations and the need for additional resources.

During the first two years of its operation the Bank undertook to grant credits to 26 projects [see Table] to the tune of nearly 280 million transferable roubles. Since then a further 37.2 million transferable roubles were authorised in 1973 and at the end of 1973 a sum of 272 million transferable roubles was agreed to finance projects this year and after. For the first time credits were approved for the Soviet Union and Mongolia, who until now had been conspicuous by their absence. [We do not know what sums are being made available to these two countries]. In the case of the USSR they might well assist in the financing of a multilateral project on Soviet territory such as the Ust Ilim cellulose combine.

The Bank may attract funds in transferable roubles, in national currencies of interested nations and by accepting medium and long term deposits in western currencies. At the same time the Bank has the right to deposit its temporarily uncommitted resources with other banks and to buy and sell gold, western currencies and securities. The bank has been active in the eurocurrency market and in early 1973 raised a loan of \$ 50 million to supplement its paid up convertible currency resources.

The Bank has recently set up a special fund for economic and technical aid to the developing countries; this started operations on January 1 this year. The total fund has been fixed at 1,000 million transferable roubles and the countries instituting the fund will make an initial contribution of 100,000,000 transferable roubles. The fund will finance construction, reconstruction and modernisation of industrial enterprises, agriculture and other sectors of the economy. Credits will be granted for a period of up to 15 years, depending on the nature of the investment.

Note

(1) The gold content of the transferable rouble is fixed at 0.987412 gms of fine gold. This is the same as the gold content of the Soviet rouble with which it has no other connection; it is merely the accounting unit used in intra-bloc settlements through IBEC.

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Below we list some statistics relevant to the Bank's activity:

DISTRIBUTION OF CREDITS IN 1971-72 BY COUNTRY

	No of projects	Total credit (million transferable roubles)	of which hard currency
Bulgaria	4	14.5	14.5
Hungary	3	47.6	6.4
GDR	2	25.1	7.3
Poland	8	35.2	26.7
Romania	8	78.8	32.6
Czechoslovakia	1	77.5	25.3
Total	26	278.7	112.8

REPAYMENT PERIOD OF THESE LOANS

Up to 5 years	2 projects	10 million transferable roubles
5-10 years	18 projects	154 " " "
10-15 years	6 projects	115 " " "

DISTRIBUTION BY SECTOR BY VALUE AND NUMBER IN 1971

	No	million transferable roubles	% total value
Motor Vehicle	5	101.0	55.6
Transportation	5	37.9	20.9
Other Machinery	4	21.6	11.9
Chemical	1	14.4	7.9
Light and Food Industry	1	6.8	3.7

The Ust Ilim Cellulose, Paper and Pulp Complex

A large pulp and paper combine has been put under contract at Ust Ilim on the Angara river. Six CMEA member countries of CMEA - Bulgaria, Hungary, the GDR, Poland, Romania and the USSR have signed a general agreement on co-operation to construct a pulp mill, which came into force in July 1972. The Soviet Union will reimburse the other participants' share with mutually agreed deliveries of its product. Construction is to begin this year with initial production expected in 1977. The Soviet Union will prepare technical documentation for the project; the combine will eventually produce 500,000 tons of pulp per annum from two single process lines.

COUNTRY DELIVERIES

GDR - Metal structures, electrical and laboratory equipment, air conditioners, cement and consumer goods.

POLAND - Building materials, steel sections, large diameter pipes, cables, trucks, trailers of large capacity, household electric ranges and furniture.

HUNGARY - Building materials, steel sections, aluminium panels for walls and roofs, equipment for cannery and meat-packing plant, municipal cold store.

BULGARIA - Metal structures, piping steel, cement, facing and roofing material, cables, electric telfers and trucks.

ROMANIA - Assembled steel sections, pipes, cement, cables, other machinery and equipment.

Total supplies from these countries are estimated at 800 million roubles. Machinery and equipment is also coming from France who, reportedly, have extended a credit of \$150 million to the USSR to cover their supplies and from Sweden. Czechoslovakia is not participating in the project because it is an exporter of cellulose, although in diminishing quantities.

TRADE AND ECONOMIC RELATIONS WITH THE WEST

Until recently CMEA countries did not regard exporting, particularly to the West, as a factor of economic development per se, but only as a means of payment for imports deemed essential. As a result the scale of East/West trade has to some extent been limited by the volume of goods made available for export, which was governed by both production possibilities and the economic policies of the central authorities. Imports were intended to make up for shortages in certain vital sectors of the economy and to solve crises resulting from failures in the planning sphere or as a means of obtaining goods which could not be produced in other CMEA countries. Now the CMEA countries are increasingly attempting, to a lesser or greater degree according to the country concerned, to narrow the technological gap between them and the West by stepping up imports of capital equipment and Western know-how. The contribution from abroad is now regarded as decisive in certain industrial sectors.

The East European members of CMEA, with perhaps the exception of the GDR, have been moving ahead with plans for economic co-operation with Western countries on a bilateral basis. While their enthusiasm for such ties and their willingness to innovate to achieve them have varied considerably, their motivations have usually been purely economic. Generally pressures to enlist Western capital and technology in the promotion of industrial development in Eastern Europe have been reflected in the latter's efforts to restructure exports to the West, modify their rigid trading systems and develop various forms of economic/industrial co-operation with Western states and enterprises.

The Soviet Union too has considerably expanded its bilateral ties with Western countries; stress is now apparently being laid on scientific and technological co-operation and on long-term bilateral framework agreements. In addition, the Russians have stepped up their activities in other economic spheres. They have made growing efforts to enter Western markets, other than the simple trade ones, for example, through sale of patents and licences, insurance underwriting; they have stepped up their banking and financial activities in the West. The largely fortuitous coincidence of the increasing Western need for fuel and raw materials and the rising Soviet need for technology to exploit her own raw material resources has meant that more large scale East/West projects could get under way, possibly in the oil and gas sectors.

We expect therefore that East/West trade will rise considerably over the next few years (and possibly a little faster than intra-CMEA trade) probably by some 12-15% per annum, though this may well prove to be too low an estimate in the light of current inflationary trends on world markets, and a figure of 20% may prove to be more realistic in the event.

NOTE: The subject of East/West trade and economic relations has been studied in great detail in other NATO papers.