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ASSESSMENT OF THE JANUARY 1969 COMECON MEETINGS

Report by the Chairman of the
Committee of Economic Advisers

The 22nd Session of the COMECON Council and the 38th of the COMECON Executive Committee were held in East Berlin in January, the first on 21st to 23rd and the second on 23rd to 27th. The present report is intended to provide a brief assessment of these meetings, following the request made by the Council on 22nd January(1). Although it reflects the views expressed by delegations in a discussion in the Committee of Economic Advisers on 31st January, this report has been prepared by the Chairman on his own responsibility.

2. At the time of the Warsaw Pact discussions which preceded the invasion of Czechoslovakia last August, mention was made of a summit meeting at which party leaders and heads of state might decide future COMECON policy. The East Berlin Session of the Council held to celebrate the 20th Anniversary of COMECON may therefore have seemed a good opportunity for a preliminary exchange of views. Given the divergence of national attitudes to COMECON - briefly described below - substantial results could hardly be expected.

A. NATIONAL VIEWS ON COMECON DEVELOPMENT

3. For some time past various ideas for reforming COMECON have been discussed in Eastern Europe. In the Soviet Union there have been renewed discussions of the concept previously put forward by Khrushchev in 1962 of giving COMECON supra-national functions as a way of co-ordinating national plans and integrating the economies of the Communist countries, but it is not clear to what extent the USSR is firmly committed to this plan. The Soviet economy is large enough to make specialisation of production far less important than in the smaller economies of the East European countries. Bilateral arrangements

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enabling the Russians to deal with their partners one by one may offer advantages over the multilateral approach. It is probably, nevertheless, that the Russians feel that at this juncture they should make some gesture in favour of COMECON, as an attempt to strengthen the cohesion of the Communist camp after the events in Czechoslovakia and secondly because they might want to use it as a counterpart to the Common Market.

4. The Poles are the ones who have seemed most eager to propose concrete measures of reform. These include closer co-ordination of long-term economic plans and of scientific and technological research, and further specialisation of production. The Poles also want liberalisation of intra-COMECON trade and an end to the habit of exporting to partners goods unsaleable at home. They want currency convertibility among members and have asked for an extension of the rôle of the COMECON Bank. They appear to see no danger in the Russian proposals advocating economic integration and raising the status of COMECON organs, but their aims are different from those of the USSR. They are aware of their own inability to develop an efficient industry within the national framework and they want close co-operation with their more advanced neighbours, Czechoslovakia and the Soviet Zone, with a view to catching them up. The Russians do not share some of the Polish views, for instance those on convertibility.

5. The Bulgarians have linked themselves as closely as possible with the Soviet Union from which they obtain large development credits. They apparently support the Soviet-Polish proposals but do not themselves propose any change.

6. The attitudes of the Hungarians and the Czechoslovaks to COMECON reform have not been so positive as that of the Poles. In principle they are not against industrial specialisation and co-ordination between COMECON countries, but they have no interest in pushing this to the point of creating a separate socialist market. Furthermore, they can hardly welcome the idea of supra-national planning and control at COMECON level as this would reduce their economic independence and would not be in keeping with their economic reforms which envisage looser forms of planning and less centralised control of production and trade.

7. The Yugoslavs want COMECON reform to include bilateral settlement in convertible currencies, and they have no intention of being confined to a socialist market supervised by the USSR. The position of the Yugoslavs, which is more advanced than that of the Poles, must therefore be still more unacceptable to the Russians.

8. The Soviet Zone leaders have not proposed any change in COMECON. They can hardly be expected to show enthusiasm for Polish proposals which are designed primarily to serve Polish interests, nor can they follow the Czechoslovaks and Hungarians who have adopted more liberal economic reform. In the past they have aimed at a close and special relationship with the USSR. There is some resentment against the Soviet Zone which seeks to prevent other East European countries from increasing their trade with the Federal Republic while obtaining for itself all the advantages of interzonal trade.

9. As in the past, the Rumanians continue with vigour to oppose any supra-national solution to COMECON problems. They have recently criticised the idea of emulating the European Economic Community, making skilful use of former Russian arguments against that organization. For the Rumanians the nation remains the natural basis for socialism. Supra-national planning would diminish the significance of control of the economy by the existing Communist Parties, and would in addition reduce the attractiveness of socialism for the developing countries. It is difficult for the Russians to refute the arguments of the Rumanians. The latter are merely asking for no change in COMECON. They are perfectly willing to co-operate with their partners in so far as it is profitable to both sides but they claim the right to maintain fruitful bilateral relations with countries outside COMECON, socialist (China) or non-socialist.

B. THE COMECON MEETINGS

10. The Agenda of the Council meeting comprised two items:

- (i) the 20th Anniversary of the organization, and
- (ii) report of the Executive Committee on activities since the last meeting and on future developments.

As usual the delegations were headed by Deputy Chairmen of the Councils of Ministers of the eight regular member countries (USSR, Bulgaria, Czechoslovakia, Hungary, Mongolia, Poland, Rumania, Soviet Zone). Yugoslavia, which is not a full member of COMECON but has a special status, sent a delegation, and the Cuban Ambassador in East Berlin acted as observer for his country.

11. It appears that the USSR had at first strong hopes that it could convince the meeting that its views on the future of COMECON should be the main issue. However, before the meeting was properly underway, the Soviet Union, Poland and Bulgaria decided that the atmosphere was not such that they would easily obtain approval of measures. An unofficial agreement was reached not to discuss the matter of integration - instead the discussion took place on strictly non-controversial issues.

12. The official communiqué issued after the meeting of the Council is perhaps as revealing in what it omits as in what it says. It could be interpreted as an attempt to please all parties bearing in mind the very different views and interests represented. Certainly no major change appears to have been agreed. The communiqué reflects the Rumanian view by stressing the principles of equality, sovereignty and concern for national interests, and by calling for the extension of relations with both socialist and non-socialist states.

13. A tribute was paid to the Soviet Union emphasising its major rôle in industry, science and technology, its great importance as a supplier of raw materials, and the part it plays in specialisation of production and foreign trade.

14. Contrary to the statement made by the Secretary of the Council to the effect that a summit meeting might be held in the near future to deal with fundamental problems in the final communiqué there was no mention of such a conference. However, it has been reported that a summit meeting of the Warsaw Pact countries might be held in February followed next month or later by a summit meeting to deal with COMECON problems.

15. Though the Polish plans for COMECON reform were not realised they could derive some comfort from the rather vague references contained in the communiqué to co-ordination of 1971-75 plans and on the need to work out more urgently recommendations on specialisation in engineering and on questions such as currency and foreign trade. Furthermore, the stress laid on the gradual strengthening of existing links between "interested parties" might also correspond to Polish wishes.

16. The Russians are known to be interested in getting higher prices for their raw materials, and certain other members are pressing for the settlement of accounts in convertible currency. Although these questions of commodity prices and currency are very important, little headway seems to have been made at the meeting, judging by the communiqué.

17. The Head of the Polish Delegation made the final speech, presumably in the name of all members. He pointed out that though national interests diverged, these differences should not be exaggerated. He said that the existing forms of bilateral and multilateral co-operation and the mechanism of economic integration did not correspond to the stage of development already reached by the countries concerned and that therefore reforms in planning, trade, settlement and credit were necessary. He mentioned the need to establish COMECON investment funds and for forms of collaboration which would promote the equalisation of economic standards of the socialist countries.

18. Immediately after the Council meeting the Executive Committee held its 38th Session. According to the communiqué it examined reports of the permanent trade commission and the permanent commission for engineering. It noted that trade between members had increased by 28% over the three years 1966-68 and that trade in machinery and equipment had doubled between 1960 and 1967. Among other points the Committee noted that the engineering commission intends to work on a programme of further specialisation with a view to meeting fully the requirements of COMECON countries, including Yugoslavia, in machinery and equipment. Certain other matters were dealt with, including, it is reported, the question of measures to counter what is described as discrimination by EEC members against socialist countries.

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