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INFORMATION NOTES AND STUDIES ON THE EASTERN ECONOMIES

(49/74)

Subject: The 28th Session of CMEA held in Sofia on 18 - 21 June 1974 on the relations with the West and with the Community, and the main decisions concerning the intra-CMEA cooperation.

1. At the 28th Session of CMEA speeches have been made by the Secretary of the Organization, Mr. Faddejev, and by the Prime Ministers of all member countries attending the meeting. A Declaration on the 25th anniversary of CMEA and a Final Communiqué have been issued.

Relations with the Western countries and with the Community

2. While no reference to these subjects is found in the speeches of the national delegations' Chairmen<sup>(\*)</sup>, interesting references are contained in Mr. Faddejev's address, in the Declaration mentioned above, and in the Final Communiqué.

(a) Mr. Faddejev's quotation is: "The process of international détente leads to the strengthening of the mutually advantageous economic ties of the CMEA member countries with the West European and with other industrialized capitalist countries. The socialist nations wish to develop long-term, large-scale economic relations with these countries, on a non-discriminatory and equality basis."

(b) The Declaration on the 25th anniversary of CMEA states: "The strengthening of CMEA does not lead to the formation of a closed economic group ... The CMEA has at present relations, in different ways, with 20 international, inter-government and non-government organizations, both economic and technical-scientific ones. The socialist countries are

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(\*) Except for some general hints in the Czechoslovakian Premier, Mr. Strongal's speech.

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ready to increase the cooperation with all countries, irrespective of their political and social system, on the basis of equality, independence, mutual advantage and non-interference in the internal matters. The Session declares that détente makes it possible to carry out in practice an extensive and long-term cooperation with the developed capitalist countries, which is consistent with the objective requirements of international economic life and with the interests of all countries. A positive close to the Conference on Security and Cooperation in Europe would open up new possibilities for the development of such a cooperation between countries belonging to different social systems."

- (c) The Final Communiqué of the Session, after mentioning the cooperation agreement between CMEA and Finland and describing it as "... an important event in the development of international contacts", adds the following phrase: "Interest in contacts with CMEA, on the part of many other countries and international organizations, is increasing."

3. The above quotations do not contain any direct references to the EEC, although it may reasonably be supposed that terms such as "Western European countries" or "international organizations" are indirectly hinting at the Community. It may be of a certain interest to compare the present terms with those used, in connection with the problem of CMEA's international relations, in the official texts at the time of the 27th (1973) and 26th (1972) Sessions of CMEA. It was then only a matter of "third countries".

A connection is seen between the "positive" conclusion of the Geneva Conference and the further development of East-West cooperation, but it appears that the former is not considered as an absolutely necessary condition of the latter.

From the point of view of their contents, the above quotations are rather vague and general, and therefore the question may be asked whether any concrete initiatives or steps are to be expected in the near future on the part of the CMEA. Looking at experience in the past we find that the two previous Sessions of CMEA have been followed by some initiatives (the negotiations with Finland on cooperation in 1972 and the preliminary contacts



with the EEC in 1973), although in the official declarations the hints at relations with the West were much more vague and general than the present ones.

Main decisions concerning the intra-CMEA cooperation

4. In the main, the decisions mentioned in the Final Communiqué cover both a closer plan coordination and a certain number of common undertakings in the fields of energy and raw material supply. None of such problems as international prices, foreign exchange ratios, currency convertibility and other monetary issues, seem to have been discussed.

5. The main decisions are:

- (a) to work out further the 5-year plan 1976-80 concerning the multi-lateral common projects at the scale of the CMEA region;
- (b) to work out a long-term plan, up to the year 1990, concerning the cooperation in the field of electric energy and production and distribution of other types of fuel;
- (c) to finance in common the exploitation of the earth-gas fields in Orenburg (West Siberia) and to build a pipeline from that site to the Western boundaries of the USSR. The pipeline will supply 15.5 billion m<sup>3</sup> per year to the Peoples' Democracies;
- (d) to build up a high-voltage (750 kV) electric line from Vinnitsa (Ukraine) to Albertina (Hungary) to assist the Hungarian economy. It seems that the project will be financed by Hungary and the USSR jointly;
- (e) to make joint investments in the Soviet Union in iron-ore mining;
- (f) to cooperate in the establishment of multilateral projects in the fields of pesticides, dye-stuffs, atomic energy for civil use, and in various engineering branches;
- (g) to establish a new international economic organization, "Inter-chimvolokno", for the cooperation in the field of textile artificial fibres;



- (h) to apply a common CMEA standardization system (Romania has not yet joined this decision);
- (i) to make changes in the CMEA Charter and the Convention on Immunities and Privileges.

6. Some conclusions may be drawn from these decisions. First, the USSR is increasingly obliging the other partners to bear the investment costs for the exploitation of Soviet energy and mineral resources, part of which will be supplied to these countries. When such factors as distance and the very long construction period of the projects are taken into consideration, it will be realized that the Peoples' Democracies are going to "freeze" huge financial funds in such undertakings. It should be added that the ownership of such plants, located in the Soviet Union, does not seem to be permitted to the investor country or countries. Secondly, the scope of the intra-CMEA cooperation, although increasing from the point of view of quantity, appears to be decreasing in respect of the fields being the subject of cooperation. Indeed, the intra-CMEA cooperation seems to be dealing more and more with energy, raw materials and plan coordination problems, whereas other problems, which were the object of much attention until recently, appear to be completely neglected at present. This concerns especially the monetary and currency relations, the related fields of international intra-CMEA prices and costs relations and of intra-CMEA multilateral trade. In other words, the decisions of the Sofia Session seem to have further delayed the transformation of the CMEA into a flexible economic mechanism.

7. The reason why Romania has not joined the establishment of a common CMEA standardization system is most probably the intention of this country to join, sooner or later, the Western standardization systems. It should be taken into consideration that Romania's trade with the West is larger than that with the State-trading countries.

8. No details have been disclosed about the changes made to the CMEA Charter. It might be interesting to know whether they are in any way dealing with the competences of the CMEA (or of some CMEA organization) in the field of international relations.





Other information

9. During the period of the 28th Session also the Executive Committee and the Standing Commission for Plan Coordination have met. The former is usually attended by the Vice Premiers of the member countries, the latter by the Chairmen of the national Central Planning Commissions.

