THE FOUNDING of the Council for Mutual Economic Assistance (also referred to as Comecon, CMEA, CEMA, or the Council) dates from a 1949 communiqué agreed upon by the Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland, and Romania. The precise reasons for Comecon's formation in the aftermath of World War II are quite complex, given the political and economic turmoil of that time. However, Joseph Stalin's desire to enforce Soviet domination of the small states of Eastern Europe and to mollify some states that had expressed interest in the Marshall Plan (see Glossary) were the primary factors in Comecon's formation. The stated purpose of the organization was to enable member states "to exchange economic experiences, extend technical aid to one another, and to render mutual assistance with respect to raw materials, foodstuffs, machines, equipment, etc."

Until the late 1960s, cooperation was the official term used to describe Comecon activities. In 1971, with the development and adoption of the Comprehensive Program for the Further Extension and Improvement of Cooperation and the Further Development of Socialist Economic Integration by Comecon Member Countries, Comecon activities were officially termed integration. In simplest terms, economic integration is defined as internationalizing the production of manufactured and semimanufactured goods, resources, and services. More specifically, integration attempts to equalize "differences in relative scarcities of goods and services between states through the deliberate elimination of barriers to trade and other forms of interaction." Although such equalization has not been a pivotal point in the formation and implementation of Comecon's economic policies, improved economic integration has always been Comecon's goal.

Soviet domination of Comecon is a function of its economic, political, and military power. The Soviet Union possesses 90 percent of Comecon members' land and energy resources, 70 percent of their population, 65 percent of their national income, and industrial and military capacities second in the world only to those of the United States. The location of many Comecon committee headquarters in Moscow and the large number of Soviet nationals in positions of authority also testify to the power of the Soviet Union within the organization.

Soviet efforts to exercise political power over its Comecon partners, however, have been met with determined opposition. The "sovereign equality" of members, as described in the Comecon Charter, assures members that if they do not wish to participate in a Comecon project, they may abstain. East European members have frequently invoked this principle in fear that economic interdependence would
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further reduce political sovereignty. Thus, neither Comecon nor the Soviet Union as a major force within Comecon has supranational authority. Although this fact ensures some degree of freedom from Soviet economic domination of the other members, it also deprives Comecon of necessary power to achieve maximum economic efficiency.

As of 1987, those countries holding full membership in Comecon were the Soviet Union, Bulgaria, Czechoslovakia, the German Democratic Republic (East Germany), Hungary, Romania, Poland, Cuba, the Mongolian People's Republic (Mongolia), and Vietnam. (For the purposes of this appendix, the phrases "East bloc," the "six European members," or the "European members of Comecon" are used interchangeably to refer to Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Romania. When Yugoslavia and Albania are referred to, they are mentioned specifically by name.) The primary documents governing the objectives, organization, and functions of Comecon are the Charter of the Council for Mutual Economic Assistance (first adopted in 1959 and subsequently amended; all references herein are to the amended 1974 text); the Comprehensive Program for the Further Extension and Improvement of Cooperation and the Further Development of Socialist Economic Integration by the Comecon Member Countries, adopted in 1971; and the Comprehensive Program for Scientific and Technical Progress up to the Year 2000, adopted in December 1985. The 1985 Comprehensive Program for Scientific and Technical Progress and the rise to power of Soviet general secretary Mikhail S. Gorbachev have increased Soviet influence in Comecon operations and have led to attempts to give Comecon some degree of supranational authority. The Comprehensive Program for Scientific and Technical Progress seeks to improve economic cooperation through the development of a more efficient and interconnected scientific and technical base.

MEMBERSHIP, STRUCTURE, NATURE, AND SCOPE

Membership

In a January 1949 meeting in Moscow, representatives of Bulgaria, Czechoslovakia, Hungary, Poland, Romania, and the Soviet Union reached the formal decision to establish the Council for Mutual Economic Assistance. The communiqué announcing the event cited the refusal of these countries to "subordinate themselves to the dictates of the Marshall Plan" (see Glossary) and their intention to resist the trade boycott imposed by "the United States, Britain and certain other countries of Western Europe" as the major factors contributing to the decision "to organize a more broadly based economic cooperation among the countries of the people's democracy and the USSR."

Albania joined the six original members in February 1949, and East Germany entered Comecon in 1950. (Albania, although it had not formally revoked its membership as of mid-1987, stopped participating in Comecon activities in 1961.) Mongolia acceded to membership in 1962, and in the 1970s Comecon expanded its membership to include Cuba (1972) and Vietnam (1978). As of 1987 there were ten full members: the Soviet Union, six East European countries, and three extraregional members (see table A, this Appendix).
Geography, therefore, no longer unites Comecon members. Wide variations in economic size and level of economic development have also tended to generate divergent interests among the member countries. All these factors have combined to give rise to significant differences in the member states' expectations about the benefits to be derived from membership in Comecon.

Unity is provided instead by political and ideological factors. All Comecon members are "united by a commonality of fundamental class interests and the ideology of Marxism-Leninism" and have common approaches to economic ownership (state versus private) and management (plan versus market). In 1949 the ruling communist parties of the founding states were also linked internationally through the Cominform (see Glossary), from which Yugoslavia had been expelled the previous year. Although the Cominform was disbanded in 1956, interparty links continue to be strong among Comecon members, and all participate in periodic international conferences of communist parties. Comecon provides a mechanism through which its leading member, the Soviet Union, has sought to foster economic links with and among its closest political and military allies. The East European members of Comecon are also militarily allied with the Soviet Union in the Warsaw Pact (see Appendix C).

Official statements stress, however, that Comecon is an open international organization. Its Charter (Article II, Paragraph 2) invites membership from "other countries which share the aims and principles of the Council and have expressed their willingness to assume the obligations contained in the . . . Charter." In the late 1950s, a number of other communist-ruled countries--China, the Democratic People's Republic of Korea (North Korea), Mongolia, Vietnam, and Yugoslavia--were invited to participate as observers in Comecon sessions. Although Mongolia and Vietnam later gained full membership, China stopped attending Comecon sessions after 1961. Yugoslavia negotiated a form of associate status in the organization, specified in its 1964 agreement with Comecon.

There are four kinds of relationships a country may have with Comecon: full membership, associate membership, nonsocialist "cooperant" status, and "observer country" status. Mutual agreement determines the precise nature of the relationship. As has been noted, Comecon has ten full members. Yugoslavia is the only country considered to have associate member status. On the basis of the 1964 agreement, Yugoslavia participates in twenty-one of the thirty-two key Comecon institutions as if it were a full member. Finland, Iraq, Mexico, Nicaragua, and Mozambique have a nonsocialist cooperant status with Comecon. Because the governments of these countries are not empowered to conclude agreements in the name of private companies, the governments do not take part in Comecon operations. They are represented in Comecon by commissions made up of members of the government and the business community. The commissions are empowered to sign various "framework" agreements with Comecon's Joint Commission on Cooperation. Since 1957 Comecon has allowed certain countries with communist or pro-Soviet governments to attend sessions as observers. In November 1986, delegations from Afghanistan, Ethiopia, Laos, Nicaragua, and the People's Democratic Republic of Yemen (South Yemen) attended the 42d Council Session as observers.

Structure
Although not formally part of the organization's hierarchy, the Conference of First Secretaries of Communist and Workers' Parties and of the Heads of Government of the Comecon Member Countries is Comecon's most important organ. These party and government leaders gather for conference meetings regularly to discuss topics of mutual interest. Because of the rank of conference participants, decisions made here have considerable influence on the actions taken by Comecon and its organs.

The official hierarchy of Comecon consists of the Session of the Council for Mutual Economic Assistance, the Executive Committee of the Council, the Secretariat of the Council, four council committees, twenty-four standing commissions, six interstate conferences, two scientific institutes, and several associated organizations (see fig. A, this Appendix). These bodies will be examined in turn.

The Session, officially the highest Comecon organ, examines fundamental problems of socialist economic integration and directs the activities of the Secretariat and other subordinate organizations. Delegations from each Comecon member country attend these meetings. Prime ministers usually head the delegations, which meet during the second quarter of each year in a member country's capital (the location of the meeting is determined by a system of rotation based on the Cyrillic alphabet). All interested parties must consider recommendations handed down by the Session. A treaty or other kind of legal agreement implements adopted recommendations. Comecon itself may adopt decisions only on organizational and procedural matters pertaining to itself and its organs.

Each country appoints one permanent representative to maintain relations between members and Comecon between annual meetings. An extraordinary Session, such as the one in December 1985, may be held with the consent of at least one-third of the members. Such meetings usually take place in Moscow.

The highest executive organ in Comecon, the Executive Committee, is entrusted with elaborating policy recommendations and supervising their implementation between sessions. In addition, it supervises work on plan coordination and scientific-technical cooperation. Composed of one representative from each member country, usually a deputy chairman of the Council of Ministers, the Executive Committee meets quarterly, usually in Moscow. In 1971 and 1974, the Executive Committee acquired economic departments that rank above the standing commissions. These economic departments considerably strengthened the authority and importance of the Executive Committee.

There are four council committees: Council Committee for Cooperation in Planning, Council Committee for Scientific and Technical Cooperation, Council Committee for Cooperation in Material and Technical Supply, and Council Committee for Cooperation in Machine Building. Their mission is "to ensure the comprehensive examination and a multilateral settlement of the major problems of cooperation among member countries in the economy, science, and technology." All committees are headquartered in Moscow and usually meet there. These committees advise the standing commissions, the Secretariat, the interstate conferences, and the scientific institutes in their areas of specialization. Their jurisdiction is generally wider than that of the standing commissions because they have the right to make policy recommendations to other Comecon organizations.
The Council Committee for Cooperation in Planning is the most important of the four. It coordinates the national economic plans of Comecon members. As such, it ranks in importance only after the Session and the Executive Committee. Made up of the chairmen of Comecon members' national central planning offices, the Council Committee for Cooperation in Planning draws up draft agreements for joint projects, adopts a resolution approving these projects, and recommends approval to the concerned parties. If its decisions were not subject to approval by national governments and parties, this committee would be considered Comecon's supranational planning body.

The international Secretariat, Comecon's only permanent body, is Comecon's primary economic research and administrative organ. The secretary, who has been a Soviet official since Comecon creation, is the official Comecon representative to Comecon member states and to other states and international organizations. Subordinate to the secretary are his deputy and the various departments of the Secretariat, which generally correspond to the standing commissions. The Secretariat's responsibilities include preparation and organization of Comecon sessions and other meetings conducted under the auspices of Comecon; compilation of digests on Comecon activities; conduct of economic and other research for Comecon members; and preparation of recommendations on various issues concerning Comecon operations.

In 1956 eight standing commissions were set up to help Comecon make recommendations pertaining to specific economic sectors. The commissions have been rearranged and renamed a number of times since the establishment of the first eight. In 1986 there were twenty-four standing commissions (see fig. B, this Appendix).

Each commission is headquartered in the capital of a member country and headed by one of that country's leading authorities in the field addressed by the commission. The Secretariat supervises the actual operations of the commissions. The standing commissions have authority only to make recommendations, which must then be approved by the Executive Committee, presented to the Session, and ratified by the interested member countries. Commissions usually meet twice a year in Moscow.

The six interstate conferences (on water management, internal trade, legal matters, inventions and patents, pricing, and labor affairs) serve as forums for discussing shared issues and experiences. They are purely consultative and generally act in an advisory capacity to the Executive Committee or its specialized committees.

The scientific institutes on standardization and on economic problems of the world socialist system concern themselves with theoretical problems of international cooperation. Both are headquartered in Moscow and are staffed by experts from various member countries.

Several affiliated agencies, having a variety of relationships with Comecon, exist outside the official Comecon hierarchy. They serve to develop "direct links between appropriate bodies and organizations of Comecon member countries." These affiliated agencies are divided into two categories: intergovernmental economic organizations (which work on a higher level in the member countries and
generally deal with a wider range of managerial and coordinative activities) and international economic organizations (which work closer to the operational level of research, production, or trade). A few examples of the former are the International Bank for Economic Cooperation (manages the transferable ruble system), the International Investment Bank (in charge of financing joint projects), and Intermetal (encourages cooperation in ferrous metallurgy). International economic organizations generally take the form of either joint enterprises, international economic associations or unions, or international economic partnerships. The latter includes Interatominstrument (nuclear machinery producers), Intertekstilmash (textile machinery producers), and Haldex (a Hungarian-Polish joint enterprise for reprocessing coal slag).

### Nature of Operation

Comecon is an interstate organization through which members attempt to coordinate economic activities of mutual interest and to develop multilateral economic, scientific, and technical cooperation. The Charter states that "the sovereign equality of all members" is fundamental to the organization and procedures of Comecon. The Comprehensive Program further emphasizes that the processes of integration of members' economies are "completely voluntary and do not involve the creation of supranational bodies." Hence under the provisions of the Charter, each country has the right to equal representation and one vote in all organs of Comecon, regardless of the country's economic size or the size of its contribution to Comecon's budget.

The "interestedness" provisions of the Charter reinforce the principle of "sovereign equality." Comecon's recommendations and decisions can be adopted only upon agreement among the interested members, and each has the right to declare its "interest" in any matter under consideration. Furthermore, in the words of the Charter, "recommendations and decisions shall not apply to countries that have declared that they have no interest in a particular matter."

Although Comecon recognizes the principle of unanimity, disinterested parties do not have a veto but rather the right to abstain from participation. A declaration of disinterest cannot block a project unless the disinterested party's participation is vital. Otherwise, the Charter implies that the interested parties may proceed without the abstaining member, affirming that a country that has declared a lack of interest "may subsequently adhere to the recommendations and decisions adopted by the remaining members of the Council."

The descriptive term *Comecon* applies to all multilateral activities involving members of the organization and is not restricted to the direct functions of Comecon and its organs. This usage may be extended as well to bilateral relations among members, because in the system of socialist international economic relations, multilateral accords--typically of a general nature--tend to be implemented through a set of more detailed, bilateral agreements.

### Comecon Versus the European Economic Community

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Although Comecon is loosely referred to as the "European Economic Community (EEC) of Eastern Europe," important contrasts exist between the two organizations. Both organizations administer economic integration; however, their economic structure, size, balance, and influence differ. The EEC incorporates the 270 million people of Western Europe into economic association through intergovernmental agreements aimed at maximizing profits and economic efficiency on a national and international scale. It is a regionally, not ideologically, integrated organization, whose members have all attained an accomplished level of industrialization and are considered to be roughly equal trading partners. The EEC is a supranational body that can adopt decisions (such as removing tariffs) and enforce them. Activity by members is based on initiative and enterprise from below (on the individual or enterprise level) and is strongly influenced by market forces.

Comecon joins together 450 million people in 10 countries and on 3 continents. The level of industrialization from country to country differs greatly: the organization links three underdeveloped countries--Cuba, Mongolia, and Vietnam--with some highly industrialized states. Likewise, a large national income difference exists between European and non-European members. The physical size, military power, and political and economic resource base of the Soviet Union make it the dominant member. In trade among Comecon members, the Soviet Union usually provides raw materials, and East European countries provide finished equipment and machinery. The three underdeveloped Comecon members have a special relationship with the other seven. Comecon realizes disproportionately more political than economic gains from its heavy contributions to these three countries' underdeveloped economies. (see Mongolia, Cuba, and Vietnam, this Appendix).

Socialist economic integration or "plan coordination" forms the basis of Comecon's activities. In this system, which mirrors the member countries' planned economies, the decisions handed down from above ignore the influences of market forces or private initiative. Comecon has no supranational authority to make decisions or to implement them. Its recommendations can only be adopted with the full concurrence of interested parties and do not affect those members who declare themselves disinterested parties.

EVOLUTION

Early Years

During Comecon's early years (through 1955), its sessions were convened on an ad hoc basis. The organization lacked clear structure and operated without a charter until a decade after its founding. These loose arrangements reflected the limited goals of Comecon at the time and the character of the Marshall Plan (also governed by a loose structure), to which Comecon served as a response.

From 1949 to 1953, Comecon's function consisted primarily of redirecting trade of member countries toward each other and introducing import-replacement industries, thus making members economically more self-sufficient. Little was done to solve economic problems through a regional policy. This was a period, moreover, when their first five-year plans, formulated along the Soviet model, preoccupied the
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East European members. In the headlong pursuit of parallel industrialization strategies, East European
governments turned their attention inward. Because of Stalin's distrust of multilateral bodies, bilateral
ties with the Soviet Union quickly came to dominate the East European members' external relations.
Each country dealt with the Soviets on a one- to-one basis by means of direct consultations with
Moscow through local Soviet missions. Although reparations transfers (extracted by the Soviet Union in
the immediate postwar years from those East European states it regarded as former World War II
enemies) had been replaced by more normal trade relations, outstanding reparations obligations were not
halted until 1956. In these circumstances, there was scarcely need or scope for multilateral policies or
institutions.

Rediscovery of Comecon after Stalin's Death

After Stalin's death in 1953, however, new leaders and new approaches emerged in the countries of the
region. The more industrialized and the more trade dependent of the East European countries
(Czechoslovakia, East Germany, and Poland) had belatedly recognized the need to adapt the Soviet
autarkic model to their own requirements. New approaches to foreign trade emerged during discussions
of economic reform. Given their isolation from the rest of the world and the dominance of intrabloc
trade in their external relations, interest in these countries inevitably centered on new forms of regional
cooperation. For small, centrally planned economies, this meant the need to develop a mechanism
through which to coordinate investment and trade policies.

Instability in Eastern Europe and integration in Western Europe increased the desirability of regularizing
intrabloc relations in a more elaborate institutional framework. The 1955 Warsaw Treaty on Friendship,
Cooperation, and Mutual Assistance (see The Warsaw Pact, 1955-70, Appendix C) and its implementing
machinery reinforced political-military links. On the economic front, Comecon was rediscovered. The
example of the 1957 Treaty of Rome (see Glossary), which initiated the processes of West European
economic integration, gave impetus and direction to Comecon's revival.

Rapid Growth in Comecon Activity, 1956-63

The years 1956 to 1963 witnessed the rapid growth of Comecon institutions and activities, especially
after the 1959 Charter went into effect. Comecon, for example, launched a program to unify the
electrical power systems of its member-states and in 1962 created the Central Dispatching Board to
manage the unified system. The organization took similar steps to coordinate railroad and river
transport. In 1963 a special bank, the International Bank for Economic Cooperation, was created to
facilitate financial settlements among members. In this period, Comecon also undertook a number of
bilateral and multilateral investment projects. The most notable project led to the coordinated
construction of the Friendship oil pipeline for the transport and distribution of crude oil from the Soviet
Union to Eastern Europe. The joint Institute for Nuclear Research, established in 1956, initiated
cooperation in another area of long-term importance.

Parallel to these developments, the Soviet Union led efforts to coordinate the investment strategies of the
members in the interest of a more rational pattern of regional specialization, increased productivity, and a more rapid overtaking of the capitalist economies. These efforts culminated in 1962 with the adoption at the 15th Council Session of the Basic Principles of the International Socialist Division of Labor. Although the principles of specialization were generally favored by the more industrial, northern-tier states, the less developed East European countries were concerned that such specialization would lead to a concentration of industry in the already established centers and would thus thwart their own ambitious industrialization plans. Moreover the increased economic interdependence that the Basic Principles called for had inevitable political connotations. The latter were reinforced in 1962 by articles and speeches by Soviet party leader Nikita Khrushchev proposing a central Comecon planning organ to implement the Basic Principles and foreseeing the evolution of a "socialist commonwealth" based on a unified regional economy.

These proposals provoked strong and open reaction from Romania on the grounds of "sovereign equality" of members, as articulated most forcefully in the April 1964 Declaration of the Romanian Central Committee. Romania's opposition (combined with the more passive resistance of some other members) succeeded in forestalling supranational planning and reinforcing the interested-party provisions of the Charter. The institutional compromise was the creation of the Bureau for Integrated Planning, which was attached to the Executive Committee and limited to an advisory role on coordination of members' development plans. The Basic Principles, having lost their momentum, were superseded several years later by the Comprehensive Program.

A Lull and Subsequent Revitalization in the Late 1960s

After the fall of Khrushchev in 1964, the new Soviet leadership was preoccupied with internal matters, and the East European countries were themselves busy with programs of economic reform. A comparative lull in Comecon activities ensued, which lasted until well after the 1968 Soviet-led intervention in Czechoslovakia. By the end of the 1960s, Eastern Europe had been shaken by the 1968 events, and there was an obvious need to revitalize programs that would strengthen regional cohesion.

In the late 1960s, the question of how to proceed with plans for economic integration received considerable discussion in specialized journals and at international meetings of experts. Disillusioned by traditional instruments and concerned with the need to decentralize planning and management in their domestic economies, the reformers argued for the strengthening of market relations among Comecon states. The conservatives continued to stress the importance of planned approaches. If carried to a logical extreme, the latter would involve supranational planning of major aspects of members' economies and the inevitable loss of national autonomy over domestic investment policy. The old conflict between planned approaches to regional specialization and the principle of sovereign equality could not be avoided in any discussion of the mechanism for future cooperation.

The Comprehensive Program for Socialist Economic Integration, 1971

The controversy over supranational planning led to a compromise in the form of the 1971
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Comprehensive Program for the Further Extension and Improvement of Cooperation and the Further Development of Socialist Economic Integration, which laid the guidelines for Comecon activity through 1990. The Comprehensive Program incorporated elements of both the market and the plan approaches. Following the market approach, the Comprehensive Program sought to strengthen the role of money, prices, and exchange rates in intra-Comecon relations and to encourage direct contacts among lower level economic entities in the member countries. At the same time, the Comprehensive Program called for more joint planning on a sectoral basis through interstate bodies that would coordinate members' activities in a given sector. New organs were also envisaged in the form of international associations that would engage in actual operations in a designated sector on behalf of the participating countries. Finally, the Comprehensive Program emphasized the need for multilateral projects to develop new regional sources of fuels, energy, and raw materials. Such projects were to be jointly planned, financed, and executed.

The Comprehensive Program introduced a new concept in relations among members: "socialist economic integration." Section I, Paragraph 2 of the Comprehensive Program refers to the need "to intensify and improve" cooperation among members and "to develop socialist economic integration." This phrasing, which has since become standard, implies that the latter is a new and higher level of interaction, "a process of the international socialist division of labor, the drawing closer of [member states'] economies and the formation of modern, highly effective national economic structures." The Comprehensive Program avoids, however, the suggestion of ultimate fusion of members' economies that had been contained in the 1962 Basic Principles. It sets limits to the integrative process in the following terms: "Socialist economic integration is completely voluntary and does not involve the creation of supranational bodies."

The term integration had formerly been used to designate the activities of Western regional organizations such as the EEC. Its new usage in the Comprehensive Program suggested parity of status between Comecon and the EEC. Under subsequent amendments to its Charter, the competence of Comecon to deal with other international organizations and third countries on behalf of its members was made clear. Comecon sought to attract the participation of developing countries in its activities. The language of the Comprehensive Program may thus also be regarded as an attempt to revitalize the image of Comecon in order to make association with it an attractive alternative to associated status with the EEC.

Comecon members adopted the Comprehensive Program at a time when they were actively developing economic relations with the rest of the world, especially with the industrialized Western economies. The Comprehensive Program viewed the two sets of policies as complementary and affirmed that "because the international socialist division of labor is effected with due account taken of the world division of labor, the Comecon member countries shall continue to develop economic, scientific, and technological ties with other countries, irrespective of their social and political system."

In the years following the adoption of the Comprehensive Program, Comecon made some progress toward strengthening market relations among members. The Comprehensive Program's objectives proved somewhat inconsistent with the predominant trends within members' economies in the 1970s,
which was a period of recentralization—rather than decentralization—of domestic systems of planning and management. The major exception to this lack of progress lay in the area of intra-Comecon pricing and payment, where the expansion of relations with the West contributed to the adoption of prices and extra-plan settlements closer to international norms. Achievements under the Comprehensive Program have fallen under the heading of planned approaches, especially in the area of joint resource development projects. A second Comecon bank, the International Investment Bank, was established in 1970 to provide a mechanism for the joint financing of such projects. In 1973 Comecon decided to draw up a general plan incorporating these measures. A number of projects formulated in the years immediately following adoption of the Comprehensive Program were then assembled in a document signed at the 29th Council Session in 1975. Entitled the "Concerted Plan for Multilateral Integration Measures," the document covered the 1976-80 five-year-plan period and was proclaimed as the first general plan for the Comecon economies. The joint projects included in the plan were largely completed in the course of the plan period.

A second major initiative toward implementation of the Comprehensive Program came in 1976 at the 30th Council Session, when a decision was made to draw up Long-Term Target Programs for Cooperation in major economic sectors and subsectors. The session designated a number of objectives to which target programs would be directed: "guarantee of the economically based requirements of Comecon member countries for basic kinds of energy, fuels, and raw materials; the development of the machine-building industries on the basis of intense specialization and cooperation in production; the fulfillment of national demands for basic foodstuffs and industrial consumer goods; and modernization and development of transport links among member countries." The 32d Council Session, held in 1978, approved target programs for cooperation through 1990 in the first two areas, as well as in agriculture and the food industries. These programs established the commitments to multilateral cooperation that member countries were to take into account when drawing up their five-year plans for the 1980s.

By the end of the 1970s, with the exception of Poland's agricultural sector, the economic sectors of all Comecon countries had converted to the socialist system. Member states had restructured their economies to emphasize industry, transportation, communications, and material and technical supply, and they had decreased the share of resources devoted to agricultural development. Within industry, member states devoted additional funds to machine building and production of chemicals. Socialist economic integration resulted in the production of goods capable of competing on the world market.

The 1980s

Most Comecon countries ended their 1981-85 five-year plans with decreased extensive economic development (see Glossary), increased expenses for fuel and raw materials, and decreased dependency on the West for both credit and hard currency imports. In the early 1980s, external economic relations had greater impact on the Comecon countries than ever before. When extending credit to East European countries, Western creditors did so assuming that the Soviet Union would offer financial assistance in the event that payment difficulties arose. This principle, which has always been rejected in the East bloc, proved inoperable in the aftermath of the Polish crisis of 1979-82. The sharp rise in interest rates in the
West put the Polish debt at an excessively high level, beyond the amount that the Soviet Union could cover. The resulting liquidity shortage (see Glossary) that occurred in all Comecon countries in 1981 forced them to reduce hard-currency imports.

In the 1980s, high interest rates and the increased value of the United States dollar on international markets made debt servicing more expensive. Thus, reducing indebtedness to the West also became a top priority within Comecon. From 1981 to 1985, the European countries of Comecon attempted to promote the faster growth of exports over imports and sought to strengthen intraregional trade, build up an increased trade surplus, and decrease indebtedness to Western countries.

In the 1980s, Comecon sessions were held on their regular annual schedule. The two most notable meetings were the special sessions called in June 1984 and December 1985. The first summit-level meeting of Comecon member states in fifteen years was held with much fanfare on June 12-14, 1984, in Moscow (the 23d "Special" Session of Comecon Member Countries). The meeting was held to discuss coordination of economic strategy and long-term goals in view of the "differing perspectives and contrary interests" that had developed among Comecon members since 1969. More specifically, the two fundamental objectives of the meeting were to strengthen unity among members and establish a closer connection between the production base, scientific and technological progress, and capital construction. However, despite the introduction of proposals for improving efficiency and cooperation in six key areas, Western and some Eastern analysts claimed that the meeting was anticlimactic and even a failure.

The ideas and results of the June 14 session were elaborated at the Extraordinary 41st Council Session, which was held on December 17-18, 1985, in Moscow. The meeting was heralded in the Comecon community as "one of the more memorable events in Comecon history." This special session featured the culmination of several years of work on the new Comprehensive Program for Scientific and Technical Progress up to the Year 2000. It aimed to create "a firm base for working out an agreed, and in some areas, unified scientific and technical policy and the practical implementation, in the common interest, of higher achievements in science and technology."

The Comprehensive Program for Scientific and Technical Progress up to the Year 2000 was originally to be ratified in 1986, but the Soviets advocated an earlier date of completion to enable the Comecon countries to incorporate their commitments to implement the program in their next five-year plans (which started in January 1986). The program laid out sizable tasks in five key areas: electronics, automation systems, nuclear energy, development of new materials, and biotechnology. It sought to restructure and modernize the member states' economies to counteract constraints on labor and material supplies. The need to move to intensive production techniques within Comecon was evident from the fact that from 1961 to 1984 the overall material intensiveness of production did not improve substantially. The 1985 program provided a general framework for Comecon's new direction of development. Details were to be settled in bilateral agreements.

**COOPERATION UNDER THE 1971 COMPREHENSIVE PROGRAM**
The Council for Mutual Economic Assistance (CMEA/Comecon)

The distinction between "market" relations and "planned" relations made in the discussions within Comecon prior to the adoption of the 1971 Comprehensive Program remains a useful approach to understanding Comecon activities. Comecon remains in fact a mixed system, combining elements of both plan and market economies. Although official rhetoric emphasizes regional planning, it must be remembered that intra-Comecon relations continue to be conducted among national entities not governed by any supranational authority. They thus interact on a decentralized basis according to terms negotiated in bilateral and multilateral agreements on trade and cooperation.

Market Relations and Instruments

It is not surprising, given the size of the Soviet economy, that intra-Comecon trade has been dominated by exchanges between the Soviet Union and the other members. Exchanges of Soviet fuels and raw materials for capital goods and consumer manufactures have characterized trade, particularly among the original members. The liquidity shortage in the early 1980s forced the European Comecon countries to work to strengthen the importance of intraregional trade. In the early 1980s, intraregional trade rose to 60 percent of foreign trade of Comecon countries as a whole; for individual members it ranged from 45 to 50 percent in the case of Hungary, Romania, and the Soviet Union, to 83 percent for Cuba and 96 percent for Mongolia.

Trade among the members is negotiated on an annual basis and in considerable detail at the governmental level and is then followed up by interenterprise contracts. Early Comecon efforts to facilitate trade among members concentrated on development of uniform technical, legal, and statistical standards and on encouragement of long-term trade agreements. The 1971 Comprehensive Program sought to liberalize the system somewhat by recommending broad limits to "fixed-quota" trade among members (trade subject to quantitative or value targets set by bilateral trade agreements). Section VI, Paragraph 19 of the Comprehensive Program affirms that "mutual trade in commodities for which no quotas are established shall be carried on beginning in 1971 with a view to stimulating the development of trade turnover, through expansion of the range and assortment of traded commodities, and to making trade in these commodities more brisk." Later in the same paragraph the Comprehensive Program calls on members to "seek opportunities to develop the export and import of quota-free commodities and to create conditions essential for trade in such commodities." There is no evidence, however, that this appeal has had significant effect or that quota-free trade has grown in importance under the program.

Prices

The 1971 Comprehensive Program also called for improvement in the Comecon system of foreign trade prices. Administratively set prices, such as those used in intra-Comecon trade, do not reflect costs or relative scarcities of inputs and outputs. For this reason, intra-Comecon trade has been based on world market prices. By 1971 a price system governing exchanges among members had developed, under which prices agreed on through negotiation were fixed for five-year periods (corresponding to those of the synchronized, five-year plans of the members). These contract prices were based on adjusted world
market prices averaged over the immediately preceding five years; that is, a world-price base was used as the starting point for negotiation. Under this system, therefore, intra-Comecon prices could and did depart substantially from relative prices on world markets.

Although the possibility of breaking this tenuous link with world prices and developing an indigenous system of prices for the Comecon market had been discussed in the 1960s, the evolution of Comecon prices after 1971 went in the opposite direction. Far from a technical or academic matter, the question of prices underlay vital issues of the terms of, and hence gains from, intra-Comecon trade. In particular, relative to actual world prices, intra-Comecon prices in the early 1970s penalized raw materials exporters and benefited exporters of manufactures. After the oil price explosion of 1973, Comecon foreign trade prices swung still further away from world prices to the disadvantage of Comecon suppliers of raw materials, in particular the Soviet Union. In view of the extraregional opportunities opened up by the expansion of East-West trade, this yawning gap between Comecon and world prices could no longer be ignored. Hence in 1975, at Soviet instigation, the system of intra-Comecon pricing was reformed.

The reform involved a substantial modification of existing procedures (known as the "Bucharest formula," from the location of the 9th Council Session in 1958 at which it was adopted), but not their abandonment. Under the modified Bucharest formula (which remained in effect as of 1987), prices were fixed every year and were based on a moving average of world prices for the preceding five years. The world-price base of the Bucharest formula was thus retained and still represented an average (although now moving) of adjusted world prices for the preceding five years. For 1975 alone, however, the average was for the preceding three years. Under these arrangements, intra-Comecon prices were more closely linked with world prices than before and throughout the remainder of the 1970s rose with world prices, although with a lag. Until the early 1980s, this new system benefited both the Soviet Union and the other Comecon countries since Soviet oil, priced with the lagged formula, was considerably cheaper than Organization of Petroleum Exporting Countries (OPEC) oil, the price of which increased drastically in the 1970s. By 1983-84 this system turned to the Soviet Union's advantage because world market oil prices began to fall, whereas the lagged Soviet oil prices continued to rise.

**Exchange Rates and Currencies**

Basic features of the state trading systems of the Comecon countries are multiple exchange rates and comprehensive exchange controls that severely restrict the convertibility of members' currencies.

These features are rooted in the planned character of the members' economies and their systems of administered prices. Currency inconvertibility in turn dictates bilateral balancing of accounts, which has been one of the basic objectives of intergovernmental trade agreements among members. An earlier system of bilateral clearing accounts was replaced on January 1, 1964, by accounts with the International Bank for Economic Cooperation, using the transferable ruble as the unit of account. Although the bank provided a centralized mechanism of trade accounting and swing credits to cover temporary imbalances, it could not establish a system of multilateral clearing given the centrally planned nature of the members'
The Council for Mutual Economic Assistance (CMEA/Comecon)
economies and the inconvertibility of their currencies. In 1987 the transferable ruble remained an
artificial currency functioning as an accounting unit and was not a common instrument for multilateral
settlement. For this reason, this currency continued to be termed "transferable" and not "convertible."

The member countries recognize that the multiplicity and inconsistency of their administered exchange
rates, the separation of their domestic prices from foreign prices, and the inconvertibility of their
currencies are significant obstacles to multilateral trade and cooperation. As of early 1987, Comecon
lacked not only a flexible means of payment but also a meaningful, standard unit of account. Both
problems have vastly complicated the already complex multilateral projects and programs envisaged by
the Comprehensive Program. The creation in 1971 of the International Investment Bank provided a
mechanism for joint investment financing, but, like the International Bank for Economic Cooperation,
this institution could not by itself resolve these fundamental monetary problems.

Recognizing that money and credit should play a more active role in the Comecon system, the
Comprehensive Program established a timetable for the improvement of monetary relations. According
to the timetable, measures would be taken "to strengthen and extend" the functions of the "collective
currency" (the transferable ruble), and the conditions would be studied and prepared "to make the
transferable ruble convertible into national currencies and to make national currencies mutually
convertible." To this end, steps would be taken to introduce "economically well-founded and mutually
coordinated" rates of exchange between members' currencies and "between 1976 and 1979" to prepare
the groundwork for the introduction by 1980 of a "single rate of exchange for the national currency of
every country." This timetable was not met. Only in Hungary were the conditions for convertibility
gradually being introduced by reforms intended to link domestic prices more directly to world prices.

**Cooperation in Planning**

If countries are to gain from trade, that trade must be based on rational production structures reflecting
resource scarcities. Since the early 1960s, official Comecon documents have stressed the need to
promote among members' economies a more cost-effective pattern of specialization in production. This
"international socialist division of labor" would, especially in the manufacturing sector, involve
specialization within major branches of industry. In the absence of significant, decentralized allocation
of resources within these economies, however, production specialization can be brought about only
through the mechanism of the national plan and the investment decisions incorporated in it. In the
absence at the regional level of supranational planning bodies, a rational pattern of production
specialization among members' economies requires coordination of national economic plans, a process
that is not merely technical but also poses inescapable political problems.

The coordination of national five-year economic plans is the most traditional form of cooperation among
the members in the area of planning. Although the process of consultation underlying plan coordination
remains essentially bilateral, Comecon organs are indirectly involved. The standing commissions draw
up proposals for consideration by competent, national planning bodies; the Secretariat assembles
information on the results of bilateral consultations; and the Council Committee for Cooperation in
Planning (created by Comecon in 1971 at the same session at which the Comprehensive Program was adopted) reviews the progress of plan coordination by members.

In principle, plan coordination covers all economic sectors. Effective and comprehensive plan coordination has, however, been significantly impeded by the continued momentum of earlier parallel development strategies and the desire of members to minimize the risks of mutual dependence (especially given the uncertainties of supply that are characteristic of the members' economies). Plan coordination in practice, therefore, remains for the most part limited to mutual adjustment, through bilateral consultation, of the foreign trade sectors of national five-year plans. Under the Comprehensive Program, there have been renewed efforts to extend plan coordination beyond foreign trade to the spheres of production, investment, science, and technology.

Plan Coordination

According to the 1971 Comprehensive Program, joint planning--multilateral or bilateral--is to be limited to "interested countries and is "not to interfere with the autonomy of internal planning." Participating countries will, moreover, retain national ownership of the productive capacities and resources jointly planned. But "joint plans worked out by the member countries will be taken into account by them when drafting their long-term or five-year plans."

The Comprehensive Program does not clearly assign responsibility for joint planning to any single agency. On the one hand, "coordination of work concerned with joint planning shall be carried out by the central planning bodies of Comecon member countries or their authorized representatives." On the other hand, "decisions on joint, multilateral planning of chosen branches and lines of production by interested countries shall be based on proposals by countries or Comecon agencies and shall be made by the Comecon Executive Committee, which also determines the Comecon agencies responsible for the organization of such work." Finally, mutual commitments resulting from joint planning and other aspects of cooperation shall be incorporated in agreements signed by the interested parties.

It is extremely difficult to gauge the implementation of plan coordination or joint planning under the Comprehensive Program or to assess the activities of the diverse international economic organizations. There is no single, adequate measure of such cooperation. The only data on activities among the Comecon countries published by the annual Comecon yearbooks refer to merchandise trade, and these trade figures cannot be readily associated with cooperative measures taken under the Comprehensive Program. Occasional official figures are published, however, on the aggregate number of industrial specialization and co-production agreements signed by members.

Joint Projects

The clearest area of achievement under the Comprehensive Program has been the joint exploitation and development of natural resources for the economies of the member countries. Joint projects ease the investment burden on a single country when expansion of its production capacity is required to satisfy
the needs of other members. Particular attention has been given to energy and fuels, forest industries, iron and steel, and various other metals and minerals. Most of this activity has been carried out in the Soviet Union, the great storehouse of natural resources within Comecon.

Joint development projects are usually organized on a "compensation" basis, a form of investment "in kind." Participating members advance materials, equipment and, more recently, manpower and are repaid through scheduled deliveries of the output resulting from, or distributed through, the new facility. Repayment includes a modest "fraternal" rate of interest, but the real financial return to the participating countries depends on the value of the output at the time of delivery. Deliveries at contract prices below world prices will provide an important extra return. No doubt the most important advantage from participation in joint projects, however, is the guarantee of long-term access to basic fuels and raw materials in a world of increasing uncertainty of supply of such products.

The Concerted Plan

The multilateral development projects concluded under the Comprehensive Program formed the backbone of Comecon's Concerted Plan for the 1976-80 period. The program allotted 9 billion rubles (nearly US$12 billion at the official 1975 exchange rate of US$1.30 per ruble) for joint investments. The Orenburg project was the largest project under the Comprehensive Program. It was undertaken by all East European Comecon countries and the Soviet Union at an estimated cost ranging from the equivalent of US$5 billion to US$6 billion, or about half of the cost of all Comecon projects under the Concerted Plan. It consists of a natural gas complex at Orenburg in western Siberia and the 2,677-kilometer Union (Soiuz) natural-gas pipeline, completed in 1978, which links the complex to the western border of the Soviet Union. Construction of a pulp mill in Ust' Ilim (in central Siberia) was the other major project under this program.

These two projects differed from other joint Comecon investments projects in that they were jointly planned and jointly built in the host country (the Soviet Union in both cases). Although the other projects were jointly planned, each country was responsible only for construction within its own borders. Western technology, equipment, and financing played a considerable role. The Soviet Union owns the Orenburg complex and the Ust' Ilim installation and is repaying its East European co-investors at a 2 percent interest rate with an agreed-upon amount of natural gas and wood pulp.

The early 1980s were characterized by more bilateral investment specialization but on a much smaller scale than required for the Orenburg and Ust' Ilim projects. In these latter projects, Eastern Europe provided machinery and equipment for Soviet multilateral resource development. Work also progressed on the previously mentioned Long-Term Target Programs for Cooperation (see The Comprehensive Program for Socialist Economic Integration, 1971, this Appendix).

Cooperation in Science and Technology

To supplement national efforts to upgrade indigenous technology, the 1971 Comprehensive Program
The Council for Mutual Economic Assistance (CMEA/Comecon) emphasizes cooperation in science and technology. The development of new technology is envisaged as a major object of cooperation; collaboration in resource development and specialization in production are to be facilitated by transfers of technology between members. The 1971 Comecon session, which adopted the Comprehensive Program, decided to establish the Special Council Committee for Scientific and Technical Cooperation to ensure the organization and fulfillment of the provisions of the program in this area. Jointly planned and coordinated research programs have extended to the creation of joint research institutes and centers. In terms of number of patents, documents, and other scientific and technical information exchanges, the available data indicate that the Soviet Union has been the dominant source of technology within Comecon. It has, on the whole, provided more technology to its East European partners than it has received from them, although the balance varies considerably from country to country depending upon relative levels of industrial development. Soviet science also forms the base for several high-technology programs for regional specialization and cooperation, such as nuclear power and computers.

The Comprehensive Program for Scientific and Technical Progress up to the Year 2000, adopted in December 1985, has boosted cooperation in science and technology. The program sets forth 93 projects and 800 subprojects within 5 broad areas of development (see Early years, this Appendix). A Soviet ministry will supervise each of the areas and will be responsible for the technical level and quality of output, compliance with research and production schedules, costs, and sales. Each project will be headed by a Soviet organization, which will award contracts to other Comecon-member organizations. The Soviet project heads, who will not be responsible to domestic planners, will have extensive executive powers of their own and will closely supervise all activities. The program represents a fundamentally new approach to multilateral collaboration and a first step toward investing Comecon with some supranational authority.

**Labor Resources**

Just as the 1971 Comprehensive Program stimulated investment flows and technology transfers among members, it also increased intra-Comecon flows of another important factor of production: labor. Most of the transfers occurred in connection with joint resource development projects, e.g., Bulgarian workers aiding in the exploitation of Siberian forest resources, Polish workers assisting in the construction of the Union pipeline, or Vietnamese workers helping on the Friendship pipeline in the Soviet Union. Labor was also transferred in response to labor imbalances in member countries. Hungarian workers, for example, were sent to work in East Germany under a bilateral agreement between the two countries. Such transfers, however, are restricted by the universal scarcity of labor that has emerged with the industrialization of the less developed Comecon countries. Moreover the presence of foreign workers has raised practical and ideological issues in socialist planned economies. It should be noted, finally, that cooperation in the area of labor has been by no means limited to planned exchanges of manpower. Comecon countries have exchanged information on experience in manpower planning and employment and wage policies through Comecon organs and activities.

**POWER CONFIGURATIONS WITHIN COMECON**
The Soviet Union and Eastern Europe

Since Comecon's creation in 1949, the relationship between the Soviet Union and the six East European countries has generally remained the same. The Soviet Union has provided fuel, nonfood raw materials, and semimanufactures (hard goods) to Eastern Europe, which in turn has supplied the Soviet Union with finished machinery and industrial consumer goods (soft goods).

This kind of economic relationship stemmed from a genuine need by the parties in the 1950s. Eastern Europe has poor energy and mineral resources, a problem exacerbated by the low energy efficiency of East European industry. As of mid-1985, factories in Eastern Europe still used 40 percent more fuel than those in the West. As a result of these factors, Eastern European countries have always relied heavily on the Soviet Union for oil. For its part, in the 1950s Eastern Europe supplied the Soviet Union with those goods otherwise unavailable because of Western embargoes. Thus, from the early 1950s to the early 1970s, during the time when there was no world shortage of energy and raw materials, the Soviet Union inexpensively supplied its East European clients with hard goods in exchange for finished machinery and equipment. In addition, Soviet economic policies bought political and military support. During these years, the Soviet Union could be assured of relative political tranquility within the bloc, obedience in international strategy as laid down by the Soviet Union, and military support of Soviet aims. By the 1980s, both parties were accustomed to this arrangement. The Soviet Union was particularly happy with the arrangement since it still could expand its energy and raw materials complex quickly and relatively cheaply.

In the 1970s, the terms of trade for the Soviet Union had improved. The OPEC price for oil had soared, which put the Soviet Union in a very advantageous position because of its bountiful supply of oil. The soaring price increased the opportunity cost (see Glossary) of providing Eastern Europe with oil at prices lower than those established by OPEC. In addition, extraction and transportation costs for these goods, most of which originated in Siberia, were also rising. In response to the market, the Soviet Union decreased its exports to its East European partners and increased its purchases of soft goods from these countries. This policy forced the East European countries to turn to the West for hard goods despite the fact that they had fewer goods to export in return for hard currency.

Any hard goods supplied to Eastern Europe by the Soviet Union were sold essentially at a discount price because Comecon prices lagged behind and were lower than those of the world market. Developments in the 1980s made this situation even more complex. The 1983-84 decline in international oil prices left the Soviets with large holdings of oil that, because of the lag in Comecon prices, were still increasing in price. The "nonmarket gains from preferential trade" became quite expensive for the Soviets. East European profits from the implicit subsidization were almost US$102 billion between 1971 and 1981.

Mongolia, Cuba, and Vietnam

Soviet-initiated Comecon support for the Council's three least-developed members--Cuba, Mongolia,
and Vietnam--has clearly benefited them, but the burden on the six East European Comecon members has been most unwelcome. Comecon is structured in such a way that the more economically developed members provide support for the less developed members in their major economic sectors. Initially, when Mongolia joined Comecon in 1962, there was no great added burden. The population of Mongolia was relatively small (1 million), and the country's subsidies came primarily from the Soviet Union. The addition of Cuba (9 million people) in 1972 and Vietnam (40 million people) in 1978, however, quickly escalated the burden. As of early 1987, three-fourths of Comecon's overseas economic aid went to Cuba, Mongolia, and Vietnam: almost US$4 billion went to Cuba, US$2 billion to Vietnam (half in military aid), and US$1 billion to Mongolia.

Although the Soviets carry most of the burden, since 1976 the East Europeans have been persuaded to take part in projects to boost the developing countries' economies. East European countries import Cuban nickel and Mongolian molybdenum and copper; they are also pressed to buy staples, such as Cuban sugar (80 percent of Cuba's exports), at inflated prices. Eastern Europe also contributes to the International Investment Bank, from which the underdeveloped three can acquire loans at lower interest rates (0.5 to 2 percent) than the East Europeans themselves (2 to 5 percent). In addition, the Soviets sell their fuel and raw materials to Cuba, Vietnam, and Mongolia for less than it is sold to the six East European members. Hence the latter have become competitors for the slowly diminishing Soviet resources. As of 1987, the only benefit accruing to the East Europeans was the services provided by Vietnamese guest workers. However, the majority of the Vietnamese have worked primarily on the Friendship pipeline in the Soviet Union.

Undeniably, Comecon has been investing heavily in Mongolia, Cuba, and Vietnam; and the three countries have benefited substantially from these resources. In 1984 increases in capital investments within Comecon were the highest for Vietnam and Cuba (26.9 percent for Vietnam and 14 percent for Cuba, compared with 3.3 percent and less for the others, except Poland and Romania). Increased investments in Mongolia lagged behind Poland and Romania but were nevertheless substantial (5.8 percent). In 1984 the economies of the three developing countries registered the fastest industrial growth of all the Comecon members (see table B, this Appendix).

Given their locations, Comecon membership for Mongolia, Cuba, and Vietnam appears principally to serve Soviet foreign policy interests. The Soviet Union contributes the most to the development to the three poorer Comecon members, and it also reaps most of the benefits. The Soviet Union imports most of Cuba's sugar and nickel and all of Mongolia's copper and molybdenum (widely used in the construction of aircraft, automobiles, machine tools, gas turbines, and in the field of electronics). Cuba has provided bases for the Soviet Navy and military support to Soviet allies in Africa. Vietnam makes its naval and air bases, as well as some 100,000 guest workers, available to the Soviets.

At the June 1984 Comecon economic summit and at subsequent Council sessions, the policy of equalizing the levels of economic development between Comecon member countries was repeatedly stressed. At the November 1986 Comecon session in Bucharest, the East European members "outlined measures to further improve cooperation with Vietnam, Cuba, and Mongolia with a view to developing the main sectors of these countries' national economies." Moreover, the Soviets have repeatedly stressed
their earnestness in "normalizing the situation in the Asia-Pacific region and in including that region in the overall process of creating a universal system of international security."

**Support for Developing Countries**

Comecon provided economic and technical support to 34 developing countries in 1960, 62 countries in 1970, and over 100 countries in 1985. As of 1987, Comecon had assisted in the construction or preparation of over 4,000 projects (mostly industrial) in Asia, Latin America, and Africa (see fig. C, this Appendix). A monetary figure for this assistance is difficult to estimate, although a June 1986 Czechoslovak source valued the exchange between Comecon and developing countries at 34 billion rubles per year, the equivalent of US$44.2 billion. The precise nature of this aid was unclear, and Western observers believe the data to be inflated.

From the 1960s to the mid-1980s, Comecon has sought to encourage the development of industry, energy, transportation, mineral resources, and agriculture of Third World countries. Comecon countries have also provided technical and economic training for personnel in Asia, Africa, and Latin America. When Comecon initially lent support to developing countries, it generally concentrated on developing those products that would support the domestic economies of the Third World, including replacements for imports. In the 1970s and 1980s, assistance from Comecon has been directed toward export-oriented industries. Third World countries have paid for this support with products produced by the project for which Comecon rendered help. This policy has provided Comecon with a stable source of necessary deliveries in addition to political influence in these strategically important areas.

**TRENDS AND PROSPECTS**

Comecon has served for more than three decades as a framework for cooperation among the planned economies of the Soviet Union, its allies in Eastern Europe, and, now, Soviet allies in the Third World. Over the years, the Comecon system has grown steadily in scope and experience. The organization now encompasses a complex and sophisticated set of institutions that represent a striking advance over the capabilities of the organization in the early 1960s.

This institutional evolution has reflected changing and expanding goals. Initial, modest objectives of "exchanging experience" and providing "technical assistance" and other forms of "mutual aid" have been extended to the development of an integrated set of economies based on a coordinated international pattern of production and investment. These ambitious goals are pursued through a broad spectrum of cooperative measures extending from monetary to technological relations.

At the same time, the extraregional goals of the organization have expanded; other countries, both geographically distant and systemically different, are being encouraged to participate in Comecon activities. Parallel efforts have sought to develop Comecon as a mechanism through which to coordinate the foreign economic policies of the members as well as their actual relations with nonmember countries and such organizations as the EEC and the United Nations.
Asymmetries of size and differences in levels of development among Comecon members have deeply affected the institutional character and evolution of the organization. The overwhelming dominance of the Soviet economy has necessarily meant that the bulk of intra-Comecon relations takes the form of bilateral relations between the Soviet Union and the smaller members of Comecon.

These asymmetries have served in other ways to impede progress toward multilateral trade and cooperation within the organization. The sensitivities of the smaller states have dictated that the sovereign equality of members remains a basic tenet of the organization. Despite Soviet political and economic dominance, sovereign equality has constituted a very real obstacle to the acquisition of supranational powers by Comecon organs. Nevertheless, the 1985 Comprehensive Program for Scientific and Technical Progress up to the Year 2000 took steps to instill some organizations with supranational authority.

The planned nature of the members' economies and the lack of effective market-price mechanisms to facilitate integration have further hindered progress toward Comecon goals. Without the automatic workings of market forces, progress must depend upon conscious acts of policy. This tends to politicize the processes of integration to a greater degree than is the case in market economies.

By 1987 Comecon's Comprehensive Program, adopted in 1971, had undergone considerable change. Multilateral planning faded into traditional bilateral cooperation, and the Bucharest formula for prices assumed a revised form. The 1985 Comprehensive Program for the Development of Science and Technology or, as some Western analysts call it, the "Gorbachev Charter," was Comecon's new blueprint for taking a firm grip on its future. Experience in the early 1980s showed that turning to the West and Japan for technological advancement put Comecon in a very dangerous position because it pulled the East European members further away from the Soviet Union and threatened to leave the entire organization at the mercy of the West. The purpose of the 1985 program was to offset centrifugal forces and reduce Comecon's vulnerability to "technological blackmail" through broadened mutual cooperation, increased efficiency of cooperation, and improved quality of output.

The success of the 1985 program will be closely tied to the success of Gorbachev's changes in the Soviet economy. Major projects for the 1986-90 period include a 5,600-kilometer natural-gas pipeline from the Yamburg Peninsula (in northern Siberia) to Eastern Europe; the Krivoy Rog (in the Ukraine), a mining and enrichment combine that will produce 13 million tons of iron ore annually; the production and exchange of 500 million rubles' worth (approximately US$650 million) of equipment for nuclear power plants; and joint projects for extracting coal in Poland, magnesite in Czechoslovakia, nickel in Cuba, and nonferrous metals in Mongolia. Recalling the failure record of previous Comecon products (for example, the disappointing Riad computer project), some Western analysts question whether the 1985 program will accomplish all that it has set out to do.

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Although the selection is still rather sparse, several English-language works on Comecon appeared in the early 1980s. *Socialist Economic Integration* by Jozef van Brabant discusses in great detail the mechanisms and operations of socialist economic integration in general and Comecon in particular. It is perhaps the most comprehensive English-language work on the subject. Several chapters in *East European Integration and East-West Trade*, edited by Paul Marer and John Michael Montias, are particularly helpful in analyzing the mechanisms of Comecon and comparing it with the EEC. Analysis of Comecon's operations and development in the modern economic and political arena is provided in Marer's "The Political Economy of Soviet Relations with Eastern Europe" in *Soviet Policy in Eastern Europe*. The best sources for up-to-date political and economic analysis are the Radio Free Europe background reports. Articles by Vladimir Sobell, in particular, give good insight into the 1985 Comprehensive Program for Scientific and Technical Development.

Russian-language sources provide useful information on Comecon procedures and structure in addition to insight into the Soviet and East European view of Comecon's goals and shortcomings. Articles in this vein can be found in *Voprosy ekonomiki* and the "Ekonomika" series published in Moscow by Znanie. Selected articles from these publications can be found in the Joint Publications Research Service's USSR Report on Economic Affairs. The Comecon Secretariat publishes a bimonthly bulletin (*Ekonomicheskoe sotrudnichestvo stran-chlenov SEV*), which has a table of contents and a summary in English; an annual *Statisticheskii ezhegodnik stran-chlenov SEV*; and various handbooks. (For complete citations and further information, see Bibliography.)