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# Comecon and Economic Cooperation

by G. Loktev, Moscow

**T**heir close economic interdependence and mutual aid which they rendered one another have contributed much to transforming the countries of the socialist commonwealth, most of which had shown, in the past, a relatively low level of economic development, into economically highly advanced states. Historically speaking, a very short period has been sufficient to enable the socialist system to release powerful productive forces.

## **The Tasks of COMECON**

One of the important stages in economic cooperation between the states of the socialist camp was reached when they formed COMECON, the Council for Mutual Economic Aid, in January, 1949, as the first international organisation of their economies. Membership in this international organisation may be acquired by any country, independently of its geographical location, provided only that it shares the principles and aims of the Council, and that it wishes to cooperate with the Council members. COMECON organises cooperation among its member countries in the field of economic and scientific research, to enable them to rationalise the exploitation of their natural resources and to accelerate the growth of their forces of production, thereby contributing to an improved international division of labour through coordinating the development plans of the various national economies, through specialisation, and through cooperation in the production of member states. Among the tasks of COMECON are also the enquiry into economic and technological research problems which may be of mutual interest for member countries, the promotion of their mutual exchange of goods, and the organisation of their cooperation in exchanging research and technological achievements and advanced experience in production.

## **Redeployment of the Flow of Trade**

Before the last war, 90 per cent of the foreign trade issuing from the countries now belonging to COMECON flowed through capitalist world markets, and only 10 per cent of their entire outside turnover entered into their mutual trade relations. But in 1966, mutual trade between those countries claimed more than 60 per cent of their

total foreign trade turnover, whilst the share going to, and coming from, capitalist countries had been reduced to 32 per cent.

However, all this does not mean that socialist countries aim at becoming autarkic or want to live in isolation from the outside world. On the contrary, their successful economic cooperation, with each other offers new and additional possibilities for building up economic and trade relations with all the regions and all the countries of the world, on the basis of equal rights and of mutual advantages.

## **International Division of Labour Boosts Production**

International division of labour between socialist countries creates an enormously enlarged scope for building up national productive power. All the socialist member countries of COMECON now feature a high growth rate of industrialisation. For example, Bulgarian industrial output, in 1966, was about 24 times as large as before the war; Hungarian industry produced 6½ times as much, that of the GDR 4½ times as much, that of the Mongolian People's Republic 11.3 times as much, Rumania 11 times as much, the Soviet Union 8.6 times as much, and Czechoslovakia 5.3 times as much as before the war.

## **Post-War Reconstruction Had Priority**

There are, of course, differences of degree in the economic level individual COMECON countries have reached, and these add to their national peculiarities and traditions, all of which sometimes create difficulties. However, such troubles are of a passing nature, and they are being overcome through joint efforts. During the first five years of COMECON's work, its activities were mainly used to initiate cooperation for solving economic problems of the moment, connected with reconstruction after the damage done by the war, and with restarting the individual economies. Considerable success was achieved by the COMECON countries in reconstructing and enlarging their economic activities, as well as in building up their national industries, which enabled them, before long, to draw up long-term plans for their national economies.

When this was done, it became necessary to co-ordinate planned economic development of the COMECON countries carefully, and this required the reconstruction of the Council from 1954 onwards, so that it became an effective instrument for promoting economic cooperation.

### **Coordination of National Economic Plans**

Since then, the Council progressively remoulds and perfects its activities for coordinating national economic plans, their specialisation and cooperative production. This type of cooperation enabled the Council members to establish a long-term programme for evolving the most important economic relations, thus laying the foundation for the conclusion of trade agreements covering the period of the national economic plans. These agreements guarantee the material execution of the plans in the prescribed periods and at prices that are protected against cyclical and other fluctuations of the markets.

After completing the coordination of national plans bilateral trade agreements were negotiated for five years, through which it was laid down that mutual exchanges of goods between the COMECON countries will increase by more than 50 per cent over the years 1966-1970, e.g. in Bulgaria by 91 per cent, in Hungary by 72 per cent, in the GDR by 39 per cent, in the Mongolian People's Republic by 29 per cent, in Poland by 56 per cent, in Rumania by 34 per cent, in the Soviet Union by 66 per cent, and in Czechoslovakia by 31 per cent. Long-term agreements provide for mutual exchanges of numerous types of machines, equipment, fuel, raw materials, semi-finished products and intermediaries, foodstuffs and industrial consumption goods. A big contribution to further growth of this trade will be made by price co-operation and by improving the forms and methods of foreign trade and of the COMECON clearing system. The International Bank for Economic Cooperation exerts growing influence on successful promotion of external trade among the COMECON countries.

### **Trade Agreement and Improved International Division of Labour**

At the present time, the member countries and organs of COMECON stand on the threshold of coordinating the national economic plans for the next Five Year Planning Period (1971-1975). This work will lead to the conclusion of a number of long-term trade agreements and also to that of several specialised understandings on individual questions and forms of coordination, particularly on specialising production and cooperating directly in production. In 1967, already 48 branches of engineering production and the manufacture of nearly 2,000 individual varieties of machinery and equipment had been the subject of specialisation and coordination between member states.

Recommendations made by COMECON for specialising production at present refer to about 20 per cent of all chemical process equipment, 85 per cent of rolling-mill construction, 75 per cent of building process units for the oil refining and petrochemical industries, etc.

COMECON countries have also been successful in cooperative production. A growing part in this field is being played by specialised international organisations, e.g. the Organisation for Cooperation of the Roller and Ball Bearings Industries, the so-called "Intermetal" (for cooperation among iron and steel works), the Joint Rolling Stock Agency for Goods Transports, and the "Druzhba" crude oil pipeline. Such forms of cooperation are becoming more and more frequent on a basis of bilateralism as well. An outstanding example is the successful work of the jointly-owned and operated Bulgaro-Hungarian "Agromash" and "Intertransmash" corporations. Agromash coordinates design work and production of machinery and equipment for growing fruit and vegetables, whilst Intertransmash does the same in the field of transport, handling, and mechanised storage machinery and equipment. Other examples of the successful execution of bilateral production agreements are those on aluminium smelting and refining between the Soviet Union and Hungary, on potash mining and fertiliser processing between the Soviet Union and Poland, on copper mining and smelting, on sinking coal mine shafts between Czechoslovakia and Poland, and on building and operating hydroelectric power stations on the Danube between Bulgaria and Rumania, and also between Czechoslovakia and Hungary.

### **Coordination of Research**

Through coordination of research and technological development work it was possible to mount joint research, project design, and construction programmes by several COMECON countries working together on a larger scale than ever before. Several hundreds of national research institutions and organisations are taking part in carrying out joint coordination plans for research and technological development work. The present plan for the years 1966-1970, which is in operation, comprises joint research into almost 140 individual problems and 500 subjects. Under a special agreement, Yugoslavia also participates in dealing with a large number of problems of mutual interest, jointly with COMECON members.

The reputation which COMECON has gained, and the positive effect of its activities, radiate far beyond the borders of the socialist countries, leading to economic and trade connections with capitalist and, even more so, with developing countries, but also with other international economic agencies, especially with the UN-Economic Commission for Europe (ECE).