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Will the CMEA Disband?

It looks as if the Council for Mutual Economic Assistance (CMEA) is at the end of its tether. At the 44th CMEA summit in Prague one and half years ago, the Soviet Prime Minister Nikolai Ryzhkov described the Council's predicament as follows: "The model of the extensive division of labour amongst our countries which has developed historically has exhausted its potential." Most of the member states have come to see the plain, though painful truth that intra-CMEA cooperation so far has been inefficient and incompatible with national developments in both domestic economies and foreign trade.

In Western Europe, in contrast, an extremely efficient economic community has developed which is successfully advancing towards establishing a large internal market. This development in Western Europe and the possible repercussions of the single European market on the socialist economies have made the CMEA members apprehensive. For fear of being forced onto the economic sidelines, several CMEA countries have concluded bilateral trade and cooperation agreements with the EC.

At the same time, inside the CMEA new ways are being sought to adjust to the world market in an attempt to save the Eastern bloc's trade confederation from extinction. Efforts at revival were made at the recent 45th summit in Sofia. Is there any point? Has the CMEA still got a chance of survival? Reviewing its record, the best that can be hoped for is to start from scratch and quietly bury the old organization.

Established in January 1949 as a countermeasure to the Marshall Plan, the CMEA served for years as an instrument of Soviet hegemony. The USSR tried to bind the young European People's Democracies and keep them away from the West. The system of centrally planned economy imposed on the "fraternity" of socialist satellites was to assure total dependence on the Soviet Union and subjugate their economies to the dictates of the Moscow planners. In the seventies and eighties the CMEA signed numerous treaties on cooperation with non-members (Finland, Iraq, Nicaragua, Angola, Afghanistan, etc.) that had also come under the sphere of influence of Soviet foreign policy.

The socialist precept of politics before economics was axiomatic to the CMEA from the outset, which also explains the Council's meagre economic initiatives in its first years; the Soviet Union lacked the economic resources for assistance and the member states the will to concerted economic action. Nor was there a suitable concept for closer economic cooperation. So it is hardly surprising that it took ten years for the CMEA to draft a charter stipulating the goals, principles, functions and powers of the organization.

The vaguely worded objective, the maximizing of the national income of the member states by means of the unification and coordination of their efforts, was hardly likely to be attained

when the unification and coordination of efforts in fact only meant the coordination of medium-term national economic planning. In practice, coordinating activity was essentially confined to bilateral visible trade. The small CMEA states were not prepared beyond this to align their industrial and investment policies with one another in order to "preserve national sovereignty". Planning power remained in the hands of the nation state, which placed narrow parameters on the "international division of labour in the CMEA".

The individual economies could expect no forces for growth to emanate from the bilaterally agreed cooperation. The CMEA countries resolved to counter the emergent growth problems by economic reform, liberalizing foreign trade and intensifying development. After the EEC had achieved its first integration success with the completion of the Customs Union, the CMEA attempted to respond by means of a streamlined package of measures called the "Complex Programme for the Further Intensification and Improvement of Cooperation and for the Development of the Socialist Economic Integration of the Member States of the CMEA". The Programme was aimed at the gradual alignment of levels of economic development, the fostering of closer and more stable ties in the major economic sectors, and in science and technology, the enlargement and consolidation of the member countries' international market and the improvement of relations between commodities and prices. These goals, which are as relevant today as then, were to be achieved in the space of 15 to 20 years.

As the Complex Programme was never implemented, intra-CMEA trade has received no impulses for growth — the most recent figure for the annual growth rate being a mere 1.5 % — and its share of total world trade has dwindled to between 2 % and 3 %. At the same time conflicts of interest amongst the member states have worsened. No-one was interested in becoming an important trading partner within the CMEA: to provide own resources to build up a CMEA export industry was detrimental to the production of goods for export to the West. Pricing and accounting methods were also disincentives, forcing foreign suppliers to constantly adjust their plans to the weak partner's ability to pay.

The rigid CMEA mechanism with its bilateralism, inconvertibility, contractually fixed prices and immobile factors of production proved incapable of promoting either domestic economic reform in the East European countries or their integration. Various CMEA conferences and special sessions over recent years produced a lot of paper and programmes but these were not put into practice. Even minor changes (bilateral settling of accounts in national currencies, promotion of cooperation between firms) did not bear fruit and the CMEA economies drifted ever further apart. Turning towards the West was almost the only option open to the East European countries to solve their internal economic problems.

Notwithstanding widespread agreement in matters of national economic reform, the CMEA members at their recent gathering in Sofia failed to achieve a consensus on the future of their umbrella organization. A commission is to draft proposals in a few weeks on sweeping reforms. In the run-up to the conference, Poland, Hungary and Czechoslovakia in particular voiced demands for basic changes. The Soviet Union also wants to place the Council on a fresh footing. One reform proposal amounts to a departure from multilateral trade agreements in favour of bilateral ones based on convertible currencies and current market prices. Would this not make the CMEA redundant?

In view of these developments it would appear to be more sensible to allow the CMEA to die a natural death, making the way free for the small member states to join forces economically. The resultant advantages would also benefit the Soviet Union. Economically powerful partners could lend effective support to the Soviet reform process, and all the countries concerned could strive towards building the common European house.

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