

4TH FLOOR  
REGISTRY

ORIGINAL: ENGLISH  
27th January, 1960

NATO CONFIDENTIAL  
WORKING PAPER  
AC/89-WP/63

SUB-COMMITTEE ON SOVIET ECONOMIC POLICY

COMECON

Note by the Secretary

At its last meeting the Sub-Committee asked the International Staff to prepare a working paper on COMECON which could serve as a basis for a report to the Committee of Economic Advisers on this subject.

2. The attached paper takes into account the notes submitted by delegations.

(Signed) J. LECONTE

OTAN/NATO  
Paris, XVIe.

NATO CONFIDENTIAL

C O M E C O N

I. FOUNDATION AND MEMBERSHIP

COMECON was founded in Moscow on 21st January, 1949, by Russia, Czechoslovakia, Poland, Hungary, Bulgaria and Roumania, in order to co-ordinate foreign trade in raw materials, food, industrial equipment and to exchange technical and economic experience. Albania and East Germany joined later. Yugoslavia who was sending observers at the beginning, has not been allowed to do so since 1957. China, Outer Mongolia, North Korea and North Vietnam are represented at meetings by observers. One article of a new Charter, adopted in December, 1959, stipulates that West European countries can become members of the Council. This appears to be mainly a propaganda move, designed to show that COMECON is less restrictive than certain Western European economic groupings.

II. INTERNAL ORGANIZATION OF COMECON

2. The organization of the Council is to some degree similar to that of NATO. The Council at Ministerial level is the highest organ and meets at least once a year. It is usually composed of Foreign Trade Ministers assisted as required by Chairmen of Planning, other Ministers and various advisers. A Council of Representatives or Permanent Council makes recommendations to the Council at Ministerial level which in turn makes recommendations to governments. The Council at Ministerial level meets in capitals of member countries. The Permanent Council is located in Moscow and is served by a Secretariat with a staff of about 100 persons. It meets at least twice a month, gives directives and makes proposals to the Ministerial Council, to its Sub-Committees, and to the Secretariat. A list of the Sub-Committees - called Commissions - and their functions, as far as they are known, is attached as Annex I.

Historical Development

3. COMECON was intended originally to be a Soviet answer to the OEEC and the Marshall Plan. Not much progress was made until 1954-55, when it was decided to co-ordinate the 5-year plans of Russia and its satellites, except Bulgaria, for the period 1956-60. Some work was done in this field; it is difficult to judge how efficient it was and in any case the events in Hungary and Poland upset that co-ordination completely.

4. It now seems that COMECON follows a more modest policy. Instead of trying to achieve complete regional co-ordination, it invites member nations to conclude agreements on specialization within particular sectors. It also attempts to get members to elaborate their 15-year plans jointly and encourages the use of long-term trade agreements. A brief chronological summary of COMECON's activities is attached as Annex II.

DECLASSIFIED - PUBLIC DISCLOSURE / DECLASSIFIE - MISE EN LECTURE PUBLIQUE

III. ASSESSMENT OF PROGRESS ACCOMPLISHED

5. Experts seem to agree that until the end of 1958, the results obtained in COMECON had been rather meagre. The work of the Commissions progressed slowly; certain countries lacked enthusiasm; Czechoslovakia, for example, showed some reluctance to let the less-developed satellites enter into competitive manufacturing. There was general distrust of the USSR which was believed to use the Council as a means of exploiting the satellites.

6. Opinions are divided as to progress in 1959. Discussions in the Sub-Committee on Soviet Economic Policy suggest that many governments of NATO countries feel that real progress is made by COMECON, while the United States Representative has expressed certain doubts about the extent of the co-ordination achieved in Eastern Europe.

7. It should be remembered, however, that the Council may well tend to attribute to itself successes achieved elsewhere. Most of the agreements on specialization hailed by the Eastern press are in fact little more than a recognition of the distribution of existing production capacity. Time only will tell if agreements will have decisive influence on future development of Eastern economies. Through meetings of experts each country is kept aware of the plans of other members. It is likely that this knowledge will in itself tend to prevent wasteful duplication.

8. The results achieved by COMECON so far may have been exaggerated by the communist press but NATO would be ill advised to consider COMECON as wholly ineffective. There is a real need for economic co-operation in the Eastern bloc and it may, therefore, be expected that COMECON will to an increasing extent become the means through which the Communists will try to achieve the economic co-ordination so badly needed.

DECLASSIFIED - PUBLIC DISCLOSURE / DECLASSIFIE - MISE EN LECTURE PUBLIQUE

COMMISSIONS ESTABLISHED

1. Coal Commission (Warsaw) established at the Seventh Plenum. It has investigated new methods of mining.
2. Electricity Commission (Moscow) established after the Seventh Plenum. It studies an all-bloc electricity network and atomic power.
3. Oil and Gas Commission (Bucharest) established after the Seventh Plenum. Great interest is now focused on this commission because of the oil pipeline between Russia and East Europe and because of large petro-chemical plants in Hungary, Poland, DDR and CSR.
4. Ferrous Metals Commission (Moscow) established after the Seventh Plenum. It has discussed all-bloc steel plans until 1975, specialisation measures and the use of a proposed Silesian iron-steel combine.
5. Non-Ferrous Metals Commission (Budapest) established after the Seventh Plenum.
6. Chemical Commission (Berlin) established after the Seventh Plenum. It has been specially active and co-ordinated the 1960-75 plans for the bloc. The plan provides for production of sulphuric acid, chlorine, ammonia, fertilisers, plastic and resin factories in every country. Factories would be standardised. It discussed specialisation in the construction of chemicals industry machinery.
7. Machine Building Commission (Prague) established after the Seventh Plenum. Studies the performance of machines, standardisation.
8. Agriculture Commission (Sofia) established after the Seventh Plenum with a goal of independence from the West in agricultural products. It also synchronises research and has made suggestions on equipment. It has recommended that Hungary specialise in the production of rice. It also recommended that Bulgaria specialise in fruit, vegetables, grapes, tobacco, importing land intensive products from the USSR.
9. Foreign Trade Commission (Moscow) established after the Seventh Plenum. It drew up a new general trade contract to be legal basis for all yearly and long term inter-bloc trade agreements.
10. Wood, Cellulose and Light Industry Commission (Budapest) established after the Seventh Plenum. Activities not known.

11. Complete Factories Commission established after the Seventh Plenum. It seems dead now.
12. Geology Commission established after the Seventh Plenum.
13. Transport Commission (Warsaw) established after the Ninth Plenum. It has discussed joint canal projects and standardisation.
14. Building Industry Commission (Berlin) established after the Ninth Plenum.
15. Economic Questions Commission (Moscow) established after the Ninth Plenum. It studies inter-bloc trade.
16. General Scientific and Technical Co-ordination Commission.
17. An Institute for nuclear research was established 26th March, 1955, to which the USSR, its European satellites, China, Mongolia and North Korea belong. The headquarters are in Moscow.

DECLASSIFIED - PUBLIC DISCLOSURE / DECLASSIFIE - MISE EN LECTURE PUBLIQUE

CHRONOLOGICAL DEVELOPMENT

1. At the First Plenum, 26th-27th April, 1949 in Moscow, a Secretariat was established.

2. A seven-line communiqué from the Second Plenum in Sofia, 25th-27th August, 1949, mentions a discussion on wider exchange of technical and scientific information; bilateral agreements were signed to that effect and a further result was the Russian-DDR Technical-Scientific Mutual Aid Treaty of 27th September, 1951.

3. The Communiqué on the Third Plenum in Moscow, 24th November, 1950, mentions only discussions on trade. An attempt was made to fit together respective long-term import/export plans. A recommendation was made for bilateral agreements on trade. From 1950 to 1954 no full meeting took place. In 1951, the Secretariat recommended standards in trade agreements, which were, however, ignored. In 1952 a Committee developed a standard nomenclature for foreign trade and foreign trade statistics.

4. At the Fourth Plenum, 26th-27th March, 1954 in Moscow, experiences in planning were discussed. Co-ordination of long-range plans was also discussed. The Council was re-organized and central committees were established.

5. At the Fifth Plenum, 26th May, 1954 in Moscow, recommendations were made to eliminate parallel investments in some industrial sectors. Special Committees met afterwards to consider measures for wider co-ordination of the work of the Planning Commissions which were preparing the 1956-60 plan.

6. At the Sixth Plenum 7th-10th December, 1955 in Budapest, the Council studied the existing trade agreements and made recommendations for widening their scope. Discussion centred on the Five-Year Plans and on trade contracts for that period. For the first time, the need for multilateral specialisation seems to have been given particular emphasis.

7. At the Seventh Plenum 18th-25th May, 1956 in Berlin, discussions dealt with co-ordination achieved over the past three years. In the preceding months, 300 machinery experts from COMECON nations had met, and at the Plenum, suggestions were made for the distribution of the production of 600 types of machines and for standardisation and division of research and development. Bottlenecks were discussed and recommendations were made for the development of Polish hard coal and Krivai Rog iron ore in the USSR for use in the bloc as a whole. Development of the Danube electricity potential was discussed and a Committee formed. Experience on planning and economic administration was also exchanged. Standing Commissions were established for technical and scientific mutual

help. The recommendations of the Seventh Plenum were incorporated in national plans. Events in Poland and Hungary upset the co-ordination of plans and trade, and Eastern countries did not fulfil their 1956 plans. At the Plenum there was much criticism regarding results achieved.

8. The Eighth Plenum 18th-22nd June, 1957 in Warsaw, was more effective. Goals for industrial sectors were discussed as well as credits for Poland. COMECON made recommendations for a multilateral clearing organization after a year of discussion in a sub-committee. It was suggested that work be started on 1961-66 plans, and conferences took place in the following months. In Prague, 27th-29th September, 1957, further co-ordination of 1956-60 plans was discussed. It was decided that each country would submit its five-year plans to the Council. In 1958, the Commissions were already discussing long-term plans up to 1975.

9. At the Ninth Plenum 20th-30th June, 1958 in Bucharest, raw materials was the theme, together with electricity and chemical products. Recommendations were made in the building, industrial, chemical and metallurgical sectors. A permanent Economic Committee was created. It is not known how active that Committee is.

10. At the Tenth Plenum 11th-17th December, 1958 in Prague, recommendations were made for standardising chemical production in 1975. The construction of a pipeline from the USSR to Poland, C.S.R. DDR and Hungary was recommended.

11. At the Eleventh Plenum 13th-16th May, 1959 in Tirana, the same subjects as at the Tenth Plenum were discussed, plus the establishment of a unified bloc electricity network. There was also agreement on specialisation in the production of machinery for the extractive industries.