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### THE INCONCLUSIVE 35TH CMEA COUNCIL SESSION IN SOFIA

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**Summary:** This paper discusses some of the issues raised at the recent CMEA Council Session which was held from 2 to 4 July 1981 in Sofia. The paper concludes that, despite pressure for real initiative in solving the emerging economic crisis in the CMEA member countries, the Sofia session did not live up to the task. Judging from the final communiqué issued two days after the end of the meeting, the delegates to the session appear to have decided to abdicate their assigned decision-making role, preferring to leave the initiative to the much heralded meeting of party and state leaders.

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### The Inconclusive 35th CMEA Council Session at Sofia

In his concluding speech to the 35th CMEA Council Session, Bulgarian Prime Minister Grisha Filipov boldly asserted that the session had "proceeded with an absolute identity of views." He also said that the session had "made a great contribution to defining the main trends of cooperation in the 1980s" by formulating "clear and well argued aims and methods of fulfilling them in the fields of specialization and cooperation in production planning, and scientific-technical cooperation." (1) Despite the expansive tone of his speech, it is evident that Filipov had some difficulty in convincing the delegates from the other CMEA member countries that they had managed to agree on an economic program that would in any way ameliorate the unfavorable economic environment confronting the CMEA member countries. Indeed, the session ended on a rather inconclusive note: the final communiqué of the session was not issued until two days after the session had ended, and the delegates to the session

(1) BTA in English, 4 July 1981.

appear to have been more circumspect than usual in announcing either the agenda of the meeting or the scope of subjects on which there was an "absolute identity of views." The final communiqué of the session was reportedly delayed for "technical reasons," but this was evidently a euphemism indicating that the delegates were not able to agree on the contents of the document before the session ended.

There is a good deal of confusion about what was actually discussed at the meeting. The confusion stems from a number of accounts of the proceedings issued by the news agencies reporting on the session: not only have the Western news agencies issued conflicting reports on the scope of discussions, but the official news agencies of the CMEA member countries have also been more than usually obtuse in their reports on the session. As a result, at this stage it remains unclear exactly what was discussed at the meeting, what agreements were actually reached, and what "problems" remain to be "solved."

News reports on the meeting did agree that a meeting of party and state leaders would be held in the foreseeable future to discuss economic policy coordination among CMEA member states. Soviet Premier Nikolai Tikhonov, Czechoslovak Prime Minister Lubomir Strougal, and Hungarian Prime Minister Gyorgy Lazar all are reported to have made allusions to preparations for such a meeting in their speeches to the session. It is possible that the uncertainty surrounding the deliberations of the Sofia Session are attributable to an agreement to defer major decisions until the summit meeting. In this case, the Sofia session would probably have confined itself to a general evaluation of the level of economic cooperation already attained by member countries and would have been unlikely to take any new initiatives. It is not known, however, when the proposed summit meeting will be held and what it will discuss. Strougal is reported (2) to have said that the meeting would not be held "before the end of this year," leaving the possibility open that an "extraordinary" Council Session might be held early in 1982. The CMEA Charter provides for such an "extraordinary" session when at least one third of the member countries have asked for one. Of the three CMEA Council Sessions attended by party first secretaries, two have been "extraordinary" sessions and one a regular annual session; all were held in Moscow. Rude Pravo (3) has suggested that the proposed meeting will probably take the form of an "extraordinary" Council Session. If so, it is likely to be held before the next regular Council Session, scheduled for Budapest (probably in June or July of next year).

Strougal is reported to have said that the meeting would not only consider problems of economic policy coordination, but would also consider measures to bring "closer together the economic mechanisms" of member countries and to "decide on significant

(2) Ceteka in English, 4 July 1981.

(3) 8 July 1981, p. 1.



changes in the meaning of our integration." (4) Strougal has also suggested that the meeting would also study methods of effectively interlinking the operations of individual economic units, (5) thus repeating earlier hints along these lines. (6) All these suggestions indicate that the proposed "summit" meeting could pave the way for a major reform of the procedures controlling intrabloc economic activities.

### The Final Communiqué

On July 6, two days after the end of the 35th CMEA Council Session held in Sofia, the CMEA Secretariat issued a communiqué that provides the officially sanctioned version of the proceedings of the meeting. The communiqué gave the impression that the session was largely uneventful, with the participants devoting their main attention to a review of the continuing programs of the member countries. Thus, the communiqué largely constituted a celebration of the achievements of the "Comprehensive Program" which was implemented 10 years ago at the 25th Council Session.

According to the communiqué, the "Comprehensive Program" has "... raised cooperation within the community to a qualitatively new level," while the community's "... planned basis has been considerably improved and diversified. . . ." The communiqué then went on to describe the dimensions of the achievements of the "Comprehensive Program," with special mention being directed toward successes attained through: 1) bilateral and multilateral cooperation and specialization agreements; 2) long-term target programs; and 3) joint investment programs. All of these economic integration schemes are described as having "enriched" the "Comprehensive Program" and as providing the basis for the future development of member countries.

The communiqué provided no indication as to the likely future course of the organization. It appears, however, that the Council Session tacitly relinquished its function as the highest decision-making authority of the CMEA, preferring to leave all decisions to the anticipated meeting of party and state leaders. Perhaps the best indicator of the lack of initiative taken by the Council Session is to be found in the brief description in the communiqué of the "new" agreements reached at the meeting.

There is strong evidence to suggest that none of these agreements originated in the meeting itself and that they have been formulated for some time. For example, the communiqué reported that member countries (with the exception of Mongolia and Vietnam) had agreed to create "an integral, unified center for electronic elements in

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- (4) Ceteka in English, 4 July 1981.
  - (5) Rude Pravo, 6 July 1981, pp. 1-6; see also Czechoslovak Situation Report/13, Radio Free Europe Research, 10 July 1981, Item 2.
  - (6) See Cam Hudson, "The 35th CMEA Council Meeting at a Time of Uncertainty," RAD Background Report/182 (Eastern Europe), RFER, 29 June 1981.

radio-electronic installations and communications and computer equipment." This agreement, however, would seem to replicate another agreement made as long ago as 1972, which led to the establishment of a "uniform system for electronic calculation engineering" with its administrative headquarters in Moscow. (7) The communiqué also reported agreements that would involve CMEA countries in assisting Cuba to develop its sugar production capacity and its citrus fruit production and processing capacity. It would seem that these agreements are, at least in part, a formal confirmation of the continuation of programs already launched in the 1976-1980 period. (8)

The only other "initiative" reported in the communiqué was a decision to establish an "international team to carry out scientific research into combating corrosion in tropical climates." The East German monthly Die Wirtschaft, (9), however, has reported that a Committee for Corrosion Protection established by the Hungarian government's Office for Technical Development is already coordinating blocwide efforts in this field within the framework of CMEA cooperation. It is thus apparent that, at best, the Sofia session has merely confirmed programs that have already been in operation for some time.

The Sofia Session also considered a draft of the "Coordinated Plan for Multilateral Integration Measures for 1981-1985" presented by the CMEA Committee for Planning Cooperation. The "Coordinated Plan" should have been approved by the 34th Council Session held in Prague in June 1980 but was deferred for unstated reasons. Given that six months of the period covered by the plan have already elapsed, it is evident that its consideration by the Sofia Session was of some urgency. In a press conference delivered after the close of the Sofia Session, CMEA Secretary Nikolai Fadeyev reported that the "Coordinated Plan" had been agreed upon at the meeting. (10) The current Chairman of the Committee for Planning Cooperation (the body charged with the preparation of the "Coordinated Plan"), Emilian Dobrescu, is reported, however, to have told Western journalists (11) that although the meeting had agreed upon a general framework for the "Coordinated Plan," the details of the plan had still to be worked out.

Published speeches made by delegation leaders suggest that the most controversial aspect of the Sofia session was the question of plan coordination. Any hint of conflict is, however, absent from the final communiqué. Indeed, the communiqué merely noted that the "Coordinated Plan for Multilateral Integration Measures" for the 1981-1985 period had been approved at the session. No explanation was provided for the delay in reaching agreement on the plan.

(7) Neues Deutschland, 13-14 December 1975, p. 10.

(8) This is based on an interview given by Gerhard Wiess, the GDR's permanent representative to the CMEA, given on Radio East Berlin (domestic service), 1506 GMT, 26 January 1981.

(9) No. 6, 4 June 1981.

(10) Reuter (Sofia), 5 July 1981.

(11) AP and Reuter (Sofia), 3 July 1981.



The communiqué, however, did indicate two new aspects of the 1981-1985 plan. First, the indicators in the plan will be directly linked to the series of long-term target programs already adopted by the CMEA; and, secondly, the new plan will contain a special section on development aid to Cuba, Mongolia, and Vietnam. These initiatives were hardly a surprise as they had already been anticipated in a number of reports on the development of the plan coordination process. (12)

The final communiqué did not clarify the confusion that arose at the end of the session as to the present status of the "Coordinated Plan." It is apparent that the members of the Romanian delegation to the Council Session were not satisfied that their views had been fully taken into account during the preparation of the plan. In his speech to the session, Romanian Prime Minister Ilie Verdet (13) complained that although Romanian officials had proposed that trade between member countries should double in the 1981-1985 period, this had been rejected by other members. As a result, according to Verdet, trade turnover will only increase by 38% during the five-year period. Verdet then said that "Romania was continuing to negotiate for a growth of trade over the 1981-1985 period." This is possibly an allusion to Romanian demands for greater access to supplies of energy and raw materials from the Soviet Union and to Soviet reluctance to cooperate. It is possible that Dobrescu's critical comments on the "Coordinated Plan" were motivated by a more general Romanian concern that the other CMEA countries are treating them unfairly.

Verdet's speech was by no means the only critical one delivered at the session. Indeed, the speeches of the various delegation leaders indicate a general concern regarding the economic performance of their respective countries. It is evident that all countries of the organization are particularly concerned to reduce the impact of the energy crisis and to obtain greater efficiency in their use of scarce resources. It is also evident, however, that the delegates were not convinced that existing CMEA programs are suited to achieving these objectives. In their speeches to the session the Czechoslovak, Hungarian, and Romanian leaders all presented their own well established positions on the necessary improvements in the mechanisms controlling intrabloc economic activities. Lubomir Strougal, for example, emphasized the need to streamline existing procedures, while Gyorgy Lazar emphasized the need to raise economic efficiency by reforming existing procedures.

The communiqué was perhaps most interesting for its omissions. Although a tradition has developed that the Council Session should at least announce some new programs that would confirm that member states are firmly on the path toward full economic integration, the recent session has failed to satisfy this tradition. Even more notable is the fact that no direct mention was made of the many economic problems confronting member states; the session apparently had nothing to say about such profound problems as declining economic growth, hard currency indebtedness, agricultural failures, rising energy prices, or the Polish economy.

(12) For details, see Cam Hudson, "Renewed Pressure for Reform in the CMEA?", RAD BR/137 (Eastern Europe), RFER, 15 May 1981.

(13) Reported by Agerpres in English, 6 July 1981.

Poland and the CMEA Countries

The final communiqué of the session was notable for the fact that it contained no reference whatsoever to the current economic and political crisis in Poland, despite the obvious concern of other member countries as to its potential impact on their own economies. The only reference to Poland in the whole text of the communiqué was contained in a statement to the effect that all the European members of the CMEA had agreed to establish a center for electronic engineering.

Given the current state of the Polish economy this might appear surprising, the more so because of the repeated references in the Polish press to Poland's failure to fulfill its planned trade commitments. Although it is difficult to identify from these reports the details of the shortfalls in Polish deliveries, it is evident that the cutbacks in exports have been particularly severe in the area of raw materials deliveries. For example, in 1980 Poland is reported to have failed to fulfill planned deliveries of coal, coke, sulfur, and machinery and equipment among other things.

According to one report, the total shortfall in deliveries to the CMEA countries in 1980 amounted to more than 1,300 million exchange zloty, i.e., approximately 400,000,000 dollars at official exchange rates. (14) Although in absolute value terms this shortfall is not particularly large, the probability that it is concentrated on failure to meet commitments to deliver coal to neighboring countries (and in particular to the GDR and Czechoslovakia) probably exacerbated the problems these countries were already experiencing in their attempt to adjust to the energy crisis.

Moreover, it is evident that in the first half of this year the shortfalls in deliveries of raw materials have increased substantially. For example, by the end of April Poland had delivered only 14.3% of its planned annual deliveries of coal to the GDR; by the same time last year Poland had delivered to the GDR 22% of its planned annual deliveries. (15) In 1979 (the last year for which statistics are available) Poland exported 1,925,000 tons of hard coal to the GDR. On the basis of these figures, it would appear that during the first 4 months of this year Poland delivered to the GDR approximately 350,000 tons less than planned. In the first 4 months of this year Poland had delivered only 13.7% (16) of its yearly quota to Czechoslovakia. Since in 1979 Poland exported 2,246,000 tons of hard coal to Czechoslovakia, it would seem that the shortfall on the plan for the first 4 months of this year would be more than 400,000 tons. Last year the shortfall on Polish coal deliveries to the Soviet Union amounted to approximately 3,300,000 tons. These shortfalls have clearly adversely affected the energy balance of the countries concerned, and it is possible that the GDR and Czechoslovakia have been forced to redress the balance by offsetting purchases on the world market for hard currency. The shortfalls in deliveries of other commodities remain unclear, but it is evident that any failure to fulfill plan deliveries disrupts the planned flow of resources to recipient countries, thus compounding the economic problems they face.

(14) PAP in English, 26 May 1981.

(15) Ibid.

(16) Ibid.



How do the other CMEA countries respond to this situation? To date it appears that the countries most immediately affected by the deteriorating economic situation in Poland have decided to use a combination of "carrot and stick" measures to influence the course of events in Poland. Thus, in addition to direct criticism of the political aspects of recent Polish developments, some neighboring CMEA countries have evidently cut back on their own planned deliveries of goods to Poland. Polish press reports have noted that Poland has suffered from cutbacks in deliveries of a range of goods, including potash fertilizers, cadmium, magnesium, aluminum oxide, nickel, oil products, polyvinyl chloride, and tires. On the other hand, the CMEA countries have evidently stepped up their deliveries of consumer goods and food, and have also provided some hard currency credits.

According to Polish Deputy Prime Minister Mieczyslaw Jagielski, Poland received a total of 4,200 million dollars worth of credits from the Soviet Union between August 1980 and mid-June 1981. Of this sum, Poland has apparently received 965,000,000 dollars in convertible currencies. Credits granted over the 1976-1979 period valued at 439,000,000 transferable rubles have been rescheduled. (17)

In the first three months of this year, Poland was provided with additional supplies of food and consumer goods from its East European partners in the CMEA. The deliveries from Bulgaria have been valued at 51,600,000 exchange zloty (approximately 16,000,000 dollars at official exchange rates); Czechoslovakia supplied goods valued at 53,700,000 exchange zloty (16,600,000 dollars); Hungary supplied goods valued at 61,300,000 exchange zloty (19,000,000 dollars); the GDR supplied goods valued at 63,300,000 exchange zloty (19,200,000 dollars); and Romania supplied goods valued at 57,700,000 exchange zloty (17,800,000 dollars). Repayments for these deliveries have apparently been deferred until 1983-1989. (18)

In the absence of detailed data on these deliveries, it is difficult to assess either their volume or to identify the balance between the increased aid provided by the other CMEA countries and their cutbacks in planned deliveries of raw materials to Poland. It is apparent, however, that the Soviet Union has been the major contributor of aid, while the other countries have been reluctant to provide special aid to Poland.

It might have been expected that, in addition to these ad hoc and bilateral economic measures, Poland's neighbors in the CMEA could be considering some form of multilateral cooperation to assist in the stabilization of the Polish economy. Indeed, observers had suggested that the Council Session in Bulgaria would have been the appropriate forum in which to consider such cooperation. In the event, it seems that the session did not consider the Polish economic crisis in any detail and did not attempt to prepare any multilateral stabilization scheme. Despite this, and considering the theme of

(17) Ibid., in Russian, 20 June 1981.

(18) Ibid., in English, 23 June 1981.

Jaruzelski's speech in Sofia, the Polish delegates to the session were evidently concerned to reassure the other members of the organization that the Polish authorities were doing their utmost to meet their commitments to them. Jagielski also presented a proposal for the other CMEA countries to utilize currently unused Polish production capacities by providing Poland with extra supplies of raw materials in exchange for finished products. Although this proposal was made public some time ago, (19) the Council Session reached no decision on it. (20) Although the CMEA countries appear to be reluctant to consider any multilateral action on this proposal, negotiations are proceeding on a bilateral basis. Poland has already reached an agreement with the Soviet Union under which the USSR will deliver cotton to Poland, and Poland will deliver 30,000,000 meters of "cloth and flannel" in exchange. (21) Poland has also reached agreement with the GDR "on the principles" under which unused industrial capacity in Poland will be used to manufacture goods for the GDR. (22)

As far as the CMEA Council Session in Bulgaria is concerned, it is evident that the member countries decided that this was not the appropriate forum in which to consider the more general problems resulting from the Polish crisis. It is evident that Poland's neighbors consider that some form of political stabilization in the country is an important prerequisite for economic stabilization. That is, they are likely to consider forms of political action before they countenance multilateral economic measures to stabilize the Polish economy. Moreover, it is also evident that the CMEA countries were confronted with a dilemma at the Sofia meeting. It is clear that the Polish economic crisis has affected other member countries, but the existing trade and economic integration procedures employed by the organization do not provide any flexible tools for minimizing disruptions resulting from Polish failures to meet plan commitments. Thus, when the Session considered the "Coordinated Plan" for 1981-1985, it was evidently faced with the choice of ignoring the Polish economic crisis or of taking new initiatives that would insulate Poland's economy from its partners in the CMEA. It is apparent, however, that the latter alternative would (a) be difficult, if not impossible, to implement given current intrabloc trading procedures; and (b) would exacerbate the economic and political crisis in Poland. As a result, it seems that the Council Session was left with little choice but to take the "wait and see" alternative. To the degree that this alternative solves nothing, it can be expected that in the foreseeable future the CMEA countries will once again be forced to consider a more lasting solution for the Polish crisis.

(19) See Cam Hudson, "Poland Proposes New Commercial Arrangements with CMEA Countries," RAD BR/135 (Poland), RFER, 12 May 1981.

(20) Radio Warsaw (domestic service), 6 July 1981, 0700 GMT.

(21) Ibid., 11 June 1981, 1300 GMT.

(22) PAP in English, 19 June 1981.



In conclusion, it would seem that the Council Session has done little to resolve the pressing economic problems confronting the CMEA member countries, despite criticism of the current institutional structure of the CMEA. It now appears that we will have to wait for the much heralded meeting of party secretaries in the expectation that they may come up with something more substantial.

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