

UNITED ARAB REPUBLIC

THE INSTITUTE OF NATIONAL PLANNING



Memo. No. 194

The Council of Mutual
Economic Aid (CMEA)

by

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3 rd. July 1962

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Cairo, June 1962.

The Council of Mutual
Economic Aid (CMEA)

This note is to give a first outline of international activities of the european socialist countries in the field of coordinating their economic plans. It, therefore, will show the organisation of the Council of Mutual Economic Aid and the principles of work of this council and the special institutions attached to it. The reader who is eager to learn more about the actual activities of the CMEA will be satisfied by another note which will discuss in a deeper way the general and special aspects (principles) of coordination of long-term plans 1961-62 - 1975/80 and methods of work as well. At present these principles are under discussion in all member-countries of the CMEA. They give an idea what the new system of international economic relations of the countries concerned will be like even within the frame-work of world economy.

I. Status, principles and organisation of work
of the CMEA

The CMEA was set up in 1949 to coordinate economic activities of european countries and to promote their economic development. Its formation had been induced by two factors:

- (1) the necessity of a quick overcoming economic difficulties in the respective countries caused by the war and by the consequences of the old regimes (general backwardness, low productivity, small industrial capacities etc.);

- (2) to face the European Recovery Programme (Marshall Plan) which was to grant US-aid to Europe at the cost of making it dependent on US - economy.

According to these circumstances the membership of the CMEA was open to all countries in Europe which were on the way to reach prewar level in a short period of time and as nationally independent countries.

On its XIIth session (December 1959), held at Sofia, the CMEA accepted unanimously the new statute which gives a more precise wording of its principles and organisation of work taking into account, too, the results and experiences of its practical work ever since 1949.

(The translation of the statute of the CMEA is an appendix to this note).

II. Activities of the CMEA

If we study the activities of the CMEA from the very beginning we can distinguish three periods of work, each of them reaching a higher level in international economic cooperation of the member-countries.

First period (1949 - 1954/56)

In this period all member-countries, after having fulfilled the main tasks of the socialist revolution (liquidation of the feudal system, nationalisation of capitalist industries, organisation of a new governmental system), concentrated their activities on the restoration of their economies on the national level. They exceeded pre-war level in production and, partially, in productivity

in the early fifties (1950-1952). Simultaneously, all member-countries, due to the fact that their economic and political system was principally the same, started international cooperation in the economic field. This was done by the CMEA and by bilateral commissions of scientific-technical cooperation as well which had been established by almost all member-countries of the CMEA.

In this first period CMEA-countries had to face great difficulties which prevented them from going on faster in the field of international economic cooperation. They had suffered badly from war damages and German occupation and exploitation during 1939/40 - 1944/45. They, therefore, were induced to mobilize first and foremost their national sources thus contributing to the general socialist development and to come to a closer cooperation of the respective countries each of them then being much stronger and more developed than they had been just after the war. Limited economic power of the CMEA - countries had made it impossible, further more, with the exception of the USSR to grant each other aid at an extent which would have been regarded satisfactory. This would have been possible, perhaps, only at the cost of a slow recovery or even stagnation of some countries, which would have offered such assistance. This, obviously has been not acceptable.

The second obstacle to be overcome in this first period has been the fact that all respective countries have had up to 1945 no remarkable trade relations with each other if we neglect

raw material and food supplies to war-time Germany which, naturally, cannot be defined as normal foreign trade relations. The respective percentage of total trade had been, in some cases, less than one percent. The CMEA, consequently, must have been, first, in charge of developing and extending trade relations between its member-countries. In this period of work of the CMEA therefore, priority has been given to foreign trade problems. A new system of international economic exchange of goods and services was set up complementing the basic changes of the internal structure of national economies of all member-countries.

In detail the CMEA discussed in that time a great number of special problems concerning foreign trade between both all or only some member-countries (e.g. market and price problems). The CMEA favoured long-term trade agreements on a bilateral basis covering the respective period of the five-year-plans which were in action at that time.

This first period of work can be regarded as preparatory stage of CMEA-activities.

Second period (1954/56-1958)

CMEA-countries at least doubled their industrial production by the end of the first period of CMEA-activities if compared with prewar level. Great emphasis has been given by each country to overall industrialization programmes involving high-speed development of heavy industries and engineering. According to its principles the CMEA started to pay more attention to international

cooperation in the field of production. Efforts were made to coordinate extension of capacities in various branches of industry to avoid parallel development which would cause unused capacities and economic losses. In view of this new task, the CMEA discussed on its VIIth session, held in Berlin 1956, projects of specialisation of more than 600 products ^{of} engineering, agriculture and raw materials as well. For that purpose balance-sheets had been worked out showing total sources and uses of these selected products throughout all member-countries of the CMEA. Basic to these balance-sheets had been an analysis of total output (capacity) and demand of the most essential products. The CMEA now found itself in the position to give exact information about deficits or abundance in output. The result of this work had been, too, a general outline of further development in production. National industrialization programmes now could be improved with view to the actual volume and structure of industrial and agricultural production and demand as well in all member-countries.

Simultaneously, the CMEA discussed recommendations to each member-country to set up special plans for the development of key-industries in the long run (10-15 years). It had been envisaged to start cooperation of national economic plans even by coordinating long-term plans of key-branches. These activities were also meant to give more attention to the development of the raw material basis in all member-countries. This was due to the fact that a certain gap became obvious between fast developing engineering and similar industries in most CMEA-countries on the one hand and their limited raw material basis on the other.

With respect to this the USSR and the GDR, e.g., altered their actual five-year-plans (1956-1960) and worked out new seven-year plans (covering 1959-1965).

In its second period of work the CMEA established a series of Permanent Commissions responsible for various branches (or sectors) of economy. Among them are :

Engineering	(Prague)
Chemical industry	(Berlin)
Coal industry	(Budapest)
Foreign Trade	(Moscow)
Building	(Berlin)
Agriculture	(Sofia)
Transport	(Warsaw)
Economic affairs	(Moscow)
etc.	

These Permanent commissions immediately started their work on coordinating development plans of the respective branches. By and by, they agreed on unnumerous projects of specialization in production, and submitted these projects to the governments concerned as recommendations. Only one result of this work was, e.g., that the GDR stopped its output of trucks with more than 5-tons - capacity extending simultaneously the production of a special type of tractor thus supplying all CMEA-countries fully with this tractor and importing heavy trucks over 5-tons from Czechoslovakia.

In its second period of work the CMEA succeeded in setting up a new and effective system of specialization and international

involves promoting of direct cooperation in all fields of production in order to develop an effective new system of international division of labour.

III. Actual problems of CMEA-activities

The author of this note was told that outside the CMEA - countries even some economists have no full idea of the actual work of the CMEA. He, therefore, tries to give some further explanation in this chapter of his note hoping that the reader thus will understand in a better way what the statute of the CMEA really does mean. The author feels authorized to a certain extent to do so because he had taken an active part in some of the activities of the permanent commission for Economic Affairs of the CMEA.

All member-countries are just now working out drafts of long-term plans (1975/80). Once they agreed to coordinate their plans both long-term and short-term ones, they must in accordance with the charter of the CMEA adhere to principles common to all of them which are basic to their national planning activities. If not so, coordination of plans would seem to be impossible or at least very complicated and without due efficiency. The Permanent Commission for Economic Affairs, therefore, already in 1958/59 started discussions on the problem of general principles of international division of labour. It had been envisaged to have a special document of such general principles which, if all member-countries would agree, could form a solid scientific basis for national

planning activities and economic policies with respect to international cooperation and coordination of plans.

On the XVth session of the CMEA (Warsaw, December 1961) member-countries accepted the a.m. document of general principles of international division of labour. This document will be authorized by the governments concerned.

The main method of establishing the new system of international division of labour ^{will be the} international coordination of national plans. This, naturally, involves the acknowledgement of nationally independent countries with their own national economic plans. In consequence of this there does not exist any international economic plan stipulating what is to be done by the member-countries of the CMEA. The problem is to elaborate national plans meeting both national and international interest. But even this approach asks for general principles which can be criterion of national and international benefit coming from the various policies and targets of the plans in all member-countries.

The CMEA, therefore, is not awarded the right of giving instructions to any member-country. It does not represent an international planning commission. It acts on a study and discussion-basis to find out the best solution of any problem of common development of the countries concerned with which all of them can fully agree. After this the Council is to give precise recommendations which are to be stipulated and put into force only by the governments within their respective competence, by either bilateral,

or multilateral agreement or by both as well. This principle was established due to the general aspect of socialist foreign policy. It provides any country with equal rights irrespective its economic power and level of development.

When preparing the document of general principles of international division of labour it has been stressed that the member-countries will act in the same way as their individual relations in the economic field with developing countries are concerned. Due to this principle the CMEA-countries do not intend to act as an uniform economic bloc like e.g. the European Common Market does. They will enjoy all rights of nationally independent activities even in this respect.

International division of labour on the territories of the CMEA-countries will, therefore, take into account:

- National conditions and intensions pointed out in the national economic plans,
- International interests of the socialist movement especially as the economic competition with the imperialist system is concerned (i.e. high rate of growth in all socialist countries, high efficiency of their economic activities (productivity), complexity of national development completed by international specialization etc.)
- International division of labour outside the CMEA-countries especially as the developing countries are concerned.

These general principles of international division of labour are complemented by special principles of international division of labour on the branch - level (e.g. chemical industry, agriculture). They are now under discussion in the respective Permanent Commissions of the CMEA. It is intended to make these principles concrete criteria of national economic planning with regard to international cooperation and coordination in the various fields.

On its XVIth (extraordinary) session (June 1962, Moscow) the CMEA put forward the following problems as the programme of work in the next period :

- to speed up specialization and cooperation as far as equipment is concerned which is essential for the technical progress in engineering or which is at present not available to meet demand entirely.
- to extend as fast as possible output of raw material, power and fuel; to take measures for economical use of these products.
- to start coordination of projects (investments) which are most important for the development of branches.
- to coordinate technical research.
- to set up new common projects in which countries can take part if they regard it necessary or possible with respect to their own economic development.
- to establish common research institutions.

Appendix :

Statute of the Council of

Mutual Economic Aid.

The governments of the people's republics of Albania, Bulgaria, Hungary, of the German Democratic Republic, of the people's republics of Poland, Roumania, of the USSR and of the Czechoslovakian Republic;

WITH VIEW TO the fact, that the economic cooperation between their countries helps to develop the national economies in a rational way, to increase the living standards of the peoples and to strengthen unity of their countries;

DETERMINED to promote further-more all - round economic cooperation in accordance with a consequent international socialist division of labour which is to serve socialist and communist development of their countries and permanent peace throughout the world ;

WITH THE CONVICTION that their further economic cooperation will contribute to the realisation of the aims of the UN-charter ;

CONFIRMING their readiness to develop economic relations with all countries irrespective their social and political system in correspondence with the principles of equality, mutual benefit and non-interference with internal affairs;

REALISING the increasing the role of the Council of Mutual Economic Aid in the field of economic cooperation between their countries;

HAVE AGREED for this purpose on the following statute.

Article I

Aims and Principles

- (1) The CMEA intends to offer its services by uniting and co-ordinating member-countries' activities in the field of accelerating economic and technical progress, increasing the level of industrialisation in countries with a low level, raising continuously labour productivity and living standards of the peoples of member-countries.
- (2) The CMEA stands on the principles of sovereignty and equality of its member-countries. Economic and technical-scientific cooperation of member-countries will proceed in accordance with the principles of full equality, respect of sovereignty and national interests, mutual benefit and friendly mutual assistance.

Article II

Membership.

- (1) Original members of the CMEA are regarded those countries which have signed and ratified this statute.
- (2) Membership of the CMEA is open to other European countries, which agree with the aims and principles of the Council and declare their willingness to undertake to fulfill the duties as pointed out in this statute.

New members have to be accepted by the General Assembly of the Council regarding the official applications of countries which wish to join in.

- (3) Any member of the Council has the right to retire after announcing its retirement to the depositary of this statute. The retirement is considered active at six month's notice to the depositary, which will inform member-countries.
- (4) The member-countries of the Council agree :
- a) To put into force recommendations of the organs of the Council accepted by themselves;
 - b) To help the Council and its officials to do their duties fixed in this statute;
 - c) To submit to the Council informations and documents necessary for fulfilling the duties imposed on it;
 - d) To inform the Council about the realisation of its recommendations.

Article III

Functions and Rights

- (1) According to the aims and principles fixed in Article I of this statute
- a) The CMEA is in charge of organising
Complex economic and technical-scientific cooperation of the member-countries in order to utilize their natural sources in a way most rational and to accelerate the growth of their productive forces,
preparatory work for recommendations relating to the essential problems involved in the national plans of the member-countries with view to coordination of these plans,

discussions of economic problems the member-countries of the Council are interested in;

- b) The CMEA will help member-countries to take common measures in the field of industrial and agricultural development of the member-countries according to a consequent socialist international division of labour, specialisation and cooperation of production,

Transports in order to meet the increasing demand of the member-countries in this respect (export, import, transit),

Effective utilization of investment funds allocated by member-countries for common projects,

Exchange of goods and services of the member-countries and between them and other countries,

Exchange of technicalscientific and technological documents

- c) The CMEA takes other measures which prove to be necessary in order to reach the aims of the Council.

- (2) The CMEA, represented by its institutions acting in accordance with their competence, is authorized to pass recommendations and to take decisions as far as it is fixed by this statute,

Article IV

Recommendations

- (1) Recommendations will be agreed on problems of economic and technical-scientific cooperation. They are to be submitted

to the member-countries for realisation.

The recommendations which the member-countries of the Council agreed on are put into force by decisions taken by the governments or other authorities of these countries in accordance with their national regulations.

- (2) Decisions of the Council are taken on problems of organisation and procedure. Decisions enter into force on the date the protocol of the decision-taking organ of the CMEA is signed unless an other date has been fixed.
- (3) All recommendations and decisions are agreed on and taken only in case that the member-countries interested in the respective problem will agree. Any country is entitled to declare its interest in any problem to be considered by the Council.

Recommendations and decisions do not concern those countries which declared that they are not interested in the respective issue. It is open to each of these countries to associate with the recommendations and decisions agreed on and taken by other member-countries of the Council later on.

Article V

Organs

- (1) With view to the realisation of the functions and rights fixed in Article III of this statute the CMEA has the following main organs:
General Assembly of the Council,

Assembly of National Representatives to the Council,
Permanent Commissions,
Secretariat.

- (2) In addition to this other organs may be established in accordance with this statute if it considered necessary.

Article VI

- (1) The General Assembly is the supreme organ of the CMEA. It is authorized to discuss all problems which prove to be within the competence of the Council to agree on recommendations and to take decisions in correspondence with this statute.
- (2) The General Assembly is composed of the delegations of all member-countries of the Council. These delegations will be appointed by the respective governments.
- (3) The ordinary sessions of the General Assembly of the Council will convene twice a year in the capitals of the member-countries by turns with the head of the delegation of the respective country in the chair.
- (4) Extraordinary sessions of the General Assembly of the Council may be convened on the application or with the approval of not less than 1/3 of the member-countries of the Council.
- (5) The General Assembly of the Council
- a) Will discuss proposals on problems of economic and technical-scientific cooperation put forward by the member-countries, by the Assembly of National Representatives

to the Council, by the Permanent Commissions and by the Secretariat of the Council, and the report on current activities of the Council delivered by the Secretariat;

b) Will take decisions on the activities of the other organs of the Council and on the agenda of the next session of the General Assembly of the Council;

c) Will fulfill other tasks which prove to be essential in order to reach the aims of the Council.

(6) The General Assembly will be entitled to form other organs which it will consider necessary with view to the fulfillment of its duties.

Article VII

Assembly of National Representatives to the Council

(1) The Assembly of National Representatives to the Council is composed of each one representative of all member-countries.

The representative of each country will have one deputy, a number of consultants and other officials at the headquarters of the Council. This deputy will be plenipotentiary of the national representative on the sessions of the Assembly of National Representatives.

(2) The sessions of the Assembly of National Representatives will convene when it is considered necessary.

(3) The Assembly of National Representatives is authorized to

agree on recommendations and to take decisions in correspondence with its competence fixed by this statute. It may submit problems for consideration to the General Assembly of the Council.

(4) The Assembly of National Representatives

- a) is concerned with proposals of the member-countries Permanent Commissions and of the Secretariat related to realisation of recommendations and decisions of the General Assembly of the Council and with other problems of economic and technical-scientific cooperation which are to be settled while the General Assembly of the Council is not in session;
- b) is concerned - if necessary - with the suggestions of the member-countries, of the Permanent Commissions and of the Secretariat on items of the agenda of the next sessions of the General Assembly;
- c) will coordinate and consider the activities both previous and future and the reports of the Permanent commissions;
- d) will approve
the financial plan of the Secretariat as well as its report on the implementation of the previous financial plan,
the statutes of the Permanent Commission and the Secretariat of the Council;
- e) will establish control organs for revision of financial activities of the Secretariat;

f) will fulfill other functions in accordance with the statute, recommendations and decisions of the General Assembly of the Council.

(5) ...

(6) ...

Article VIII

Permanent Commissions

(1) The Permanent Commissions will be established by the General Assembly of the Council in order to promote economic relations between the member-countries as well as to manage multilateral economic and technical-scientific cooperation in special fields of national economy.

...

(2) Each country will appoint its representatives to the Permanent Commissions.

(3) The Permanent Commissions will be authorized within their competence fixed by this statute to agree on recommendations and to take decisions. These commissions, further-more, may submit proposals for consideration to the General Assembly and to the Assembly of National representatives.

(4) The Permanent Commissions will take measures and prepare suggestions in order to manage economic and technical-scientific cooperation as pointed out in (1) of Article VIII. They will exercise other functions related to this statute, recommendations and decisions of the General Assembly and of

National Representatives.

The Permanent Commissions submit reports on previous and future activities to the Assembly of National Representatives.

(5) ...

(6) The Permanent Commissions may establish auxiliary organs. As far as their structure and Competence is concerned respective decisions will be taken by the Commissions themselves.

(7) The Permanent Commissions will have their secretariat each headed by the secretary of the respective Commission. The Staff of the secretariat of the Commissions is part of the Secretariat of the Council...

(8) ...

Article IX

The Secretariat

(1) The staff of the Secretariat of the CMEA will be the Secretary of the Council, his deputies and the other personnel necessary for current activities of the Secretariat.

The Secretary as well as his deputies will be appointed by the General Assembly of the Council. They will head the activities of the Secretariat. Members of the Secretariat will be appointed citizens of the member-countries in accordance with the statute of the Secretariat.

The Secretary will be supreme official of the Council representing it as far as relations with official representatives and organisations of the member-countries, other

countries and with international organisations are concerned.

The Secretary will be awarded the right to authorize his deputies and other officials of the Secretariat to act in his name.

The Secretary and his deputies may attend all sessions of any organ of the Council.

(2) The Secretariat of the Council.

- a) will submit to the ordinary General Assembly the report on the activities of Council;
- b) will assist in preparing and organising the sessions of the General Assembly, of the Assembly of National Representatives, of the Permanent Commissions and of other conferences which these organs will have decided to convene;
- c) will prepare analyses and studies on economic problems for the General Assembly and the Assembly of National Representatives using informations given by the member-countries; it will publish data on problems of economic and technical-scientific cooperation of these countries;
- d) will prepare proposals concerning the actual work of the Council to be considered by the respective organs of the Council,
data for information about economic and technical-scientific cooperation of the member countries;
- e) will prepare in cooperation with the respective Permanent

Commission drafts of multilateral agreements on problems of economic and technical-scientific cooperation. Basic to this work will be the respective recommendations and decisions taken by the General Assembly and the Assembly of National Representatives.

f) ...

- (3) The Secretary, his deputies and the officials of the Secretariat will enjoy the status of international officials while acting within their competence of this statute.
- (4) The Secretariat will have its headquarters at Moscow.

Article X

Sharing the work of the CMEA by
other countries

The CMEA May invite non-member-countries to take part in the activities of its organs.

The conditions of this taking part in the work of CMEA-organs by representatives of such countries will be agreed by the Council and the respective countries.

Article XI

Relations with International Organisations

The CMEA may establish and maintain relations to economic organisations of UN and to other international organisations.

Character and forms of such relations will be agreed on by the Council and the respective international organisations.

Article XII

Finances

...

Article XIII

Other regulations

...

- (4) The regulations of this statute do not concern rights and duties of the member-countries resulting from their membership of other international organisations and international agreements concluded by them.

Article XIV

Languages

Official languages of the CMEA will be the languages of all member-countries.

Russian will be the working language.

Article XV

Ratification and date of coming into force

...

Article XVI

Procedure of amendments to the statute

...

Article XVII

Final regulations

...

Done at Sofia on December, 14th, 1959"

(Some items which are of no special importance have been dropped in this translation)

On its XVIth (extraordinary) Session held at Moscow, on June 7th 1962, the General Assembly of the CMEA approved some amendments to the statute:

1 - Membership now is open also to countries outside Europe.
(cf. Article II (2))

2 - An executive committee of the Council had been established. Members of this committee are deputy prime ministers of all member-countries. (cf. Article V).