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### COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE AND SOCIALIST INTEGRATION\*

#### THE CASE OF BALKAN COUNTRIES

#### I

There are many definitions of "economic integration" but I prefer the determined by F. Kozma<sup>1</sup>. Really, if we want to develop the economic integration of a given group of countries, as now we try for CMEA's countries, we rely upon the needs and economic development conditions of that given group of countries. There is no general model for economic integration, or if there is, it is merely a collection of generalities that cannot be implemented in practice. A real integration program is thus determined in space and time.

Although the creation of the CMEA is considered to be the closest approach for harmonized relations among the socialist states in many spheres of life, its character and requirements are not completely clarified<sup>2</sup>.

It is often argued, by the west writers, that the Council for Mutual Economic Assistance (CMEA or COMECON) was set up by Stalin as a Soviet ripost to the Marshall's Plan for the reconstruction of Europe (Organization for European Economic Cooperation-OEEC). Eastern writers, on the contrary, maintain that Marshall's plan was, of course, a cause, but not the main. Anyway, whatever the initial impetus was, behind the formation of CMEA, its ostensible aims was "to strengthen the economic collaboration of the socialist countries and to coordinate their economic development on the basis of equal rights of all member states, by organizing the exchange of economizing and

\* This article is the result of extensive research work, achieved through the Onassis Scholarship Foundation. For that I would also like to express my sincere gratitude.

1. Ferenc Kozma, *Economic integration and Economic Strategy*, Martinus Nijhoff Publishers, The Hague-Boston-London, 1982, p. 9.

2. Jacques Aroyo, "Rapprochement between the Socialist States-A Law governed process in the World Socialist System", *International Relations*, Sofia Presse, 1979-Selected Articles-1979, p. 32-38.

technical experience and rendering mutual aid in raw materials, food and equipment"<sup>3</sup>.

But, if all CMEA's member-states have equal rights, they don't play equal role in the general cooperation. For many technical objectiv reasons, the Soviet Union plays the major role, as it is the first socialist state and, consequently, it has the greatest experience in the construction of a new society and possesses the greatest scientific and technical potential<sup>4</sup>.

So, the Soviet Union is the decisive factor in economic relations and integration among the CMEA countries. This is due to its extensive market, great economic potential and lesser dependence of foreign trade. The Soviet Union's position as raw material supplier and its vast market determine the structure of integration. In addition, political relations and bilateral economic relations with this country have a decisive impact on integration<sup>5</sup>.

Soviet Union<sup>6</sup> may utilize leverage to extract additional resources from CMEA members, by demanding higher contributions to joint investment projects located in the Soviet Union, by changing higher prices for Soviet exports, or by introducing new forms of bilateral or multilateral cooperation.

The CMEA<sup>7</sup>, examining its structure and mechanism, we can conclude that it is a system of economic relations among socialist countries and their aim is to joint their efforts for a greatest economic development, regarding to an economic integration.

So, economic integration aims to economic cooperation between the members but also to extend their joint activities to wider areas, that is, the

3. Michael Kaser, *Comecon Integration problems of the Planed Economies*, Second Edition, Oxford University Press, London-New York-Torondo, 1967, p. 9, Raiko Dimitrov, *La Bulgarie et le Conseil d'Entraide Economique*, Sofia-Press, 1974, p. 8, Guiuseppe Schiavone, *The Institutions of COMECON*, The MacMillan Press, Ltd, Hong Kong 1981, p. 13, *Quarterly Economic Review (Q.E.R.) of Poland, Annual Supplement 1982*, The Economist Intelligence Unit Limited, London, 1982, p. 3-6.

4. Stoyan Shalamanov, "Socialist integration-Cornerstone of Bulgaria's Economic Policy", *International Relations*, Sofia Presse, 1979, p. 66-73, and Nesho Tsarevski, "Cooperation and Integration with USSR- Cornerstone of Bulgaria's Foreign Policy", *International Relations*, Sofia Presse, 1979, Selected Articles 1978, p. 3-13.

5. Kálmán Pécsi, *The future of Socialist economic Integration*, M.E. Sharpe, Inc. Armon K, New York, 1981, p. 3.

6. *Sources of Soviet Conduct in the 1980s*, Edited by Robert F. Byrnes after Brezhnev (p. 234-329) p. 336.

7. J. Bognar, "End-century crossroads of development cooperation", *Trends in World Economy*, No. 30, volume 1 and 2, Hungarian Scientific Council for World Economy, Budapest, 1980, p. 175.

existence of an "external" system of relations, in establishing the world economic position of the integration and in furthering the economic growth of the member states.

Socialist economic integration is a historical process. Its purpose is to create an official form of regional integration that includes the amalgamation of national markets, the emergence of a large integrated economic community, and the ensuing consequences with the respect to political superstructures<sup>8</sup>.

The idea emerges that the CMEA, as an organ promoting the economic development of the socialist countries associated in it, should simultaneously intensively engage in strengthening the mutual relations of the member countries and in supporting the expansion of the world economic relations of the member countries and in making the latter more favourable. This twofold activity should not be considered as being opposed to each other, but rather as being necessarily complementary<sup>9</sup>.

With the aid of the CMEA those national economic methods and institutions should be developed which simultaneously serve to increase of our world-market activity and the preventing of business fluctuations on the capitalist world market, the effects of the crisis of the world monetary system and inflation, as much as it is possible<sup>10</sup>.

We have, also, to know that an integration is no exclusively economic venture. Political-ideological and security factors make substantial contribution<sup>11</sup>.

Integration, also, operate in intense interactions with the organizations of the member states.

## II

The constituent meeting of CMEA on 5th-8th January, 1949 in Moscou, convened by Soviet Government, was attended by the founder members<sup>12</sup>: Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland and Romania. Albania joined in February 1949 but ceased taking an active part at the end of 1961. The German Democratic Republic (GDR) became a member in

8. K. Pécsi, *The future...*, *op. cit.*, p. 7.

9. R. Nyers, "The CMEA countries on the road of economic integration", *Trends in World Economic*, No. 16, Hungarian Scientific Council for World Economy, Budapest, 1975.

10. *Op. cit.*

11. J. Bognar, *op. cit.*, p. 176.

12. *Encyclopedia Britannica*, Micropaidia, Vol. VII, 1984.

September 1950 and the Mongolian People's Republic in June 1962. In 1964 an agreement was concluded enabling Yugoslavia to participate on equal terms with COMECON members in the area of trade, finance and industry. Finally in 1972 Cuba became a member of CMEA and in 1978 Vietnam.

In 1949, the "outside world" was hostile<sup>13</sup>, for the socialist countries due to the cold war which at this point was at its apogee and a policy of "roll-back" had been initiated<sup>14</sup>. Between 1949 and 1953 the East-West cold war was often and for long periods very close of changing over into a shooting war. On the other hand, the socialist countries were almost cut off from the other parts of the world, as the colonial system was still rather strong and the emergence of new nation-states had hardly begun. Economically, even the new independent countries could be approached only through the Western ex-colonial powers.

In economic sphere, an embargo was declared by the U.S.A. and adopted by its allies. It covered about half of the usual goods of the international trade in those times.

In addition, the economic development of the socialist countries presented some serious problems: In the smaller countries the process of a socialist transformation of society had just begun. An economic policy of extensive growth relying on the domestic market and an ample manpower reserves was needed to establish an industrial structure, that could become one of the driving forces of development later on. As a result of the embargo, the weight and the significance of non-CMEA economic relations shrank rapidly<sup>15</sup>. So, for all these reasons, the intra-CMEA trade, as well as other economic activities were not a choice but the only solution<sup>16</sup>, and consequently, the beginning of a kind of integration.

This implies that the "introverted" type of integration has stood the test of the most critical years.

Differences in development level among the national economies are not eliminated automatically by the beneficial effects due to socialist relations. So, an international system of socialism is needed, in order to eliminate the differences, between poor and rich countries, regarding to a high level of

13. Andrei Loukanov, "The Council for Mutual Economic Assistance organizer of Cooperation and Integration", *International Relations*, Sofia-Press, 1978, p. 35-44.

14. J. Bogdan, *op. cit.*, p. 178.

15. J. Bogdan, *op. cit.*, 179.

16. Ljubo Sirc, *Economic development in Eastern Europe*, Lougman in association with the Institute of Economics Affairs, G. Britain, 1969, p. 110.

development of the forces of production<sup>17</sup>. And we have to admit that from the point of view of their technological structure, the CMEA countries are rather different from one another<sup>18</sup>.

By developing<sup>19</sup> the integration of the CMEA countries we must, on the one hand, efficiently stimulate the undisturbed development of the productivity forces by means of expanding the CMEA market and specialization among each other, while, on the other hand, the world market competitiveness of CMEA's countries must be promoted. For these reasons relations with countries having the most advanced technologies must be expanded.

In international law, Comecon has a loose constitutional structure, and this provides the European Economic Community with a rationale for refusing to deal with Comecon as a whole, but rather with each individual state<sup>20</sup>.

Following the evolution of the CMEA's history, is used to be divided in discernible phases, corresponding to changes in political trends efforts to build up an integrated CMEA system<sup>21</sup>.

In a first unit we have the intention to analyse the first four periods, namely:

1) 1949 - 1954

2) 1954 - 1956

3) 1956 - 1962

4) 1962 - 1971

and in the second the following three periods, that is:

5) 1971 - 1973

6) 1973 - 1976

7) 1976 - 1980

We consider that the Comprehensive or Complex Programme approved in Bucharest, by COMECON's Congress of 1971, creates a new era for a further integration of CMEA's countries.

17. F. Kozma, "Some theoretical problems regarding socialist integration and the leveling of Economic development", *Trends in World Economy*, No. 6, Hungarian Scientific Council for World Economy, Budapest, 1971, p. 5.

18. F. Kozma, *Economic integration...*, *op. cit.*, p. 133.

19. R. Nyers, *op. cit.*

20. *Quarterly Economic Review*, *op. cit.* (We have to add that recently, the two European Organizations—EEC and CMEA—have decided to collaborate closely creating a common secretary in Brussels).

21. Kurt Weisskopf, "Progress of the COMECON integration programme in COMECON", Progress and Prospects Colloquium 1977, *NATO Directorate of Economic Affairs*, Brussels, 16-17-18/3/1973, p. 23-30.

## III

1. The first period (1949-1954), was under Stalin's influence and can be characterised as a period of inactivity, following the policy of autarky<sup>22</sup>.

CMEA created of Soviet initiative in 1949, the organisation had done little during the first Five-Year Plans. This had initially been an era in Eastern Europe of emulating the autarkic Soviet growth strategy of the 1930s. What foreign trade occurred was handled through bilateral agreements, also familiar from 1930s<sup>23</sup>.

In these five years the only obtainings that we can observe are, first of all, a limited transfer of technology and, secondly, the creation of some commercial relations between CMEA's countries. But, these relations had rather a political motive than an economical one.

The policy of autarky was considered indispensable for their own survival and it was owed, basically, to the existence of the cold war. But, this policy had as result the diminution of the productivity<sup>24</sup>.

2. The second period (1954-1956) represented the post-Stalin defrosting and dominated the principle of plan coordination. The principal instrument of production integration is the coordination of plans. That means a program of the distribution of raw materials, machinery, technology, manpower, as well as distribution of the output listed in material balances<sup>25</sup>.

The joint development of major resources were for the first time seriously suggested.

3. The third period (1956-1962) was marked by severe political events: The Hungarian uprising and the Polish riots in one hand and on the other Krushchev's speech in which he exposed the excesses of Stalinism. All these events obliged the Soviet Union to be oriented towards a bigger mutual cooperation.

So, in 1962, the Council recognises the international socialist division of

22. A. Nowicki, "L'intégration économique des pays de l'Europe Orientale", *Cahiers de l'I.S.E.A.* (Institut de Sciences Economiques Appliquées), décembre 1965 (pp. 153-155), p. 157.

23. John R. Lampe, *The Bulgarian economy in the twentieth century*, Croom Helm, London-Sydney, 1986, p. 150.

24. A. Nowicki, *op. cit.*, p. 154-157.

25. K. Pécsi, *op. cit.*, p. 8.

labour and preconceives the economic integration of socialist countries<sup>26</sup>.

Since the late 1950s the efforts have been of the CMEA to integrate the Eastern European economies according to what Marxist terminology calls the international division of labour and Western terminology calls comparative advantage. Such specialisation has not gone far enough to eliminate the annual bilateral agreements by which each member determines its trade with every other or to introduce a single, fully convertible currency in which surpluses in trade with one member can regularly be used to cover deficits with another. Thus the organisation has not made much progress toward the "liberation of trade", which has been a hallmark of the Western Europe experience under the EEC. The quotas implicit in these bilateral agreements continue to play the part of pre-war tariff barriers in restricting trade outside the agreements.

On the other hand, the purpose of CMEA since its emergence as an active organisation in the late 1950s has never been to create a Western-style customs union or to lay the groundmark for a socialist market economy operating according to world price signals. Instead, its emphasis has remained on the joint orchestration of the national planning mechanisms to select a few priorities for specialisation among the membership, and to eliminate some of the duplication fostered by the original Soviet model of balanced industrialisation, based on each country producing a full range of all major goods. The movement of capital and labour between members to collaborate on joint investment, mainly Soviet projects for raw materials, has remained far smaller than in the market economies of E.E.C. Specialisation has not gone so far to eliminate major areas of unprofitable industrial production in any member country<sup>27</sup>.

4. The fourth stage (1962-1971) witnessed the creation of formal instruments for integration; namely, international economic organisations, joint project initiatives and especially the two COMECON banks: The International Bank of Economic Cooperation (1963) and the International Investment Bank (1970), both intended as instruments of financial integration based on transactions and credits, and on the transferable ruble with a gold content of 0.987412 grammes.

In 1963 the CMEA agreed to establish an International Bank for Economic Cooperation (IBEC) to facilitate multilateral clearing within the Soviet

26. Patrice Gelard, *Les systèmes politiques des Etats socialistes. Le modèle soviétique*, Cujas, 1975, (Tome I), p. 75.

27. J. R. Lampe, *op. cit.*, p. 183.

bloc<sup>28</sup>. The capital of IBEC in 300 million transferable rubles (\$ 330 million at the parity of exchange), of which the Soviet Union subscribed 116 million rubles. IBEC may grant credits to the monetary authorities of the COMECON countries for settlement needs within the system, seasonal credits to offset fluctuations in export receipts, promotion credits to increase trade within the bloc, balance-of-payments loans to finance deficits, and loans for multinational constructions projects. IBEC may also accept deposits from member countries in transferable ruble, in gold, and in fully convertible Western currencies.

The International Investment Bank (IIB)<sup>29</sup> founded by the socialist countries is an organization which could become suitable for guiding the international flow of capital among the CMEA countries in accordance with the coordinated concepts regarding division of labour among the countries cooperating with one another. This could be realized among other ways, by gathering a substantial share of the long-term credit on the world capital market and distributing it among the CMEA countries.

As cooperation is gradually involving into integration, we must admit, that the creation of the IBEC and IIB is a big step in the legal proceedings of integration. But the role of these two banks for international trade, both dealing in convertible currencies is not significant, while the "collective socialist currency", the transferable rouble, has failed to make an impact"<sup>30</sup>.

But, in spite of certain apparently merely formel progress the cause of the Socialist International Economic organizations at present remain static<sup>31</sup>.

#### IV

In 1970s, the socialist countries position has grown strong and also stable in the international community.

Fondamental changes in the external environment and internal strivings took place in CMEA member states<sup>32</sup>. There is a power of balance of military power between East and West. A multipolar world system is developing which would render world balance more sensitive but, at the same time, would

28. *International Encyclopedia of the Social Sciences*, vol. 8.

29. F. Kozma, "Some theoretical problems...", *op. cit.*, p. 53.

30. *Quarterly Economic Review...*, *op. cit.*

31. Kálmán Pécsi, "Economic questions of production, integration within the CMEA", *Trends in World Economy*, No. 24, Hungarian Scientific Council for World Economy, 1978, p. 33.

32. J. Bogнар, *op. cit.*, p. 180.



promote a more cooperative approach to tensions outside Europe. The developing countries' presence in international affairs is gaining weight. In the mid-1970s a change of epoch in the world economy took place. External economic relations will thus acquire a new and growth determining importance of the life of all economies.

1. The beginning of the fifth stage (1971-1973) marked the Bucharest COMECON Congress of 1971 which approved the Comprehensive or Complex programme for further extension and improvement of cooperation and the development of Socialist Economic Integration by the CMEA-member countries<sup>33</sup>.

In 1971<sup>34</sup> the Council members adopted the Comprehensive Program for further Deepening and Improvement of Cooperation and the Development of Socialist Economic Integration. This was designed to harmonize the members' national economic activities both internally and externally. More especially, the Comprehensive Program was established for "joint planning" in unspecified individual branches of industry by interested countries<sup>35</sup>. It is a kind of new form of cooperation in the field of planning techniques.

There were different points of view of the meaning of "socialist integration" but a compromise of different tendencies took place, because a lot of countries didn't desire to strengthen the dominant role of the Soviet Union. So, very often, some state-members of CMEA are much more interested in their internal economic development and amelioration than for the collective achievements within the CMEA as a unity.

Their avowed intention was to equilibrate the economic levels of the COMECON countries in the period 1971-1975 so as to ensure parallel operating plans over 1976-1980, resulting in the harmonisation of costing and pricing systems throughout the group and the establishment of a fixed ratio between the national countries and the transferable ruble.

Throughout the 1970s CMEA has been foundering, despite the introduction of new programs intended to strengthen economic cooperation, such as the Long-Term Target Program. Despite official commitment to expanding intra-CMEA trade, the member countries were primarily if not solely interested in maintaining close bilateral trade relations with the Soviet Union in order to ensure a steady and growing supply of raw materials. As a result, frequent

33. *Quarterly Economic Review*, *op. cit.*

34. *Economic Handbook of the World*, p. 639.

35. G. Sciafone, *op. cit.*, p. 31-36.

interruptions or reductions occurred in mutually agreed deliveries of Key commodities within CMEA. This had a highly negative impact on economic performance, especially of those member-countries which relied on an uninterrupted flow of imports from the CMEA members for fulfillment of their plans. Czechoslovakia and East Germany faced difficulties because of reduced shipments of coal and energy from Poland and Romania; this is a good illustration of the problems plaguing CMEA<sup>36</sup>.

As far as the well published innovations of the 1970s are concerned, such as the 1971 Complex Programme, most observers have concluded that these have had little practical impact, because most countries are interesting more in their own development than to integration problems and give more weight to survive their economy.

2. A sixth stage (1973-1976) started in 1973 when it was apparent that integration had to be limited to a few major sectors and when it had to be acknowledged that the Comprehensive Programme target to build up a broad basis of joint science-based industries was unrealistic. The only exception may to be the nuclear power construction industry.

Other COMECON countries have started thinking along similar lines of Soviet's view for integration in nuclear power.

So the sixth stage represents a period of stagnation in the integration process. Each COMECON country seems more intent to pursue its own way, relying largely upon Western technology and trade, instead of adopting a coordinated bloc approach to modernization aid<sup>37</sup> of the CMEA.

The CMEA Charter was amended in 1974<sup>38</sup> and there is a reference "of the principles of independence and non-interference in internal affairs".

But, little countries, especially Romania<sup>39</sup>, are deeply concerned at the possible dangers of loss of national sovereignty and economic independence that can result from fairly comprehensive intergation plans.

In 1975, the system of fixed prices rulling for deliveries over a planning period of five years gave way to "step by step" prices, calculated on a rolling basis by reference to the average of the world market prices for the previous five years. This pricés basis is recalculated annually and applies to fuels, raw materials and certain basic industrial goods.

36. *Sources of Soviet Conduct...*, *op. cit.*, p. 336-337.

37. R. Nyers, *op. cit.*

38. G. Sciafone, *op. cit.*, p. 3.

39. Marie Lavigne, *Le COMECON, Le programme du Comecon et l'intégration Socialiste*, Cujas, 1975, p. 54.

So, the whole concept of integration has had to be reappraised. The broad outlines on this reappraisal were announced in the communiqué issued after the 30th Session of Comecon Council held in Berlin on 7th-9th July 1976 that put aside the Bucharest integration target date and recommended over the next ten to fifteen years a joint programme of cooperation between the five leading sectors of production of energy and raw materials, machine construction, agriculture transport and industrial consumer goods. It could be argued that the Berlin programme has been superimposed on the Bucharest Complex Programme. Some energy projects<sup>40</sup> have already been into operation, most recently the Onenburg gas pipeline from the USSR to Eastern and Western Europe. Out of an annual of 28 bn cu m, the COMECON partners will receive 15,5 bn. There is also the oil pipeline from the Volga- Urals oilfield to Poland, East Germany, Czechoslovakia and Hungary. A 750 kilovatt transmission line runs from the Ukraine to Hungary and the USSR is planning to build some 14 nuclear power stations with 12.000 mu of capacity on the western borders to supply its COMECON partners with electricity<sup>41</sup>.

3. The 7th stage (1976-1980), that coincides to the second 1976-1980 five years-plan, appears to retreat further from the Complex Programme.

In 1976 the members reviewed the first year Comprehensive Programme and decided to expand and renew it for the period 1976-1980. The members targeted five areas as priorities for development during the 1980s; raw materials, agriculture and food production, engineering and transport and consumer goods, but there has been little follow up. With escalating economic problems with the bloc and mounting indebtedness without negotiations on the details of the 1981-1985. Comprehensive Programme could not be completed in 1980. During the Council's summit in early July 1981 no further progress was made and it was decided to postpone final agreement until the 1982 summit, two years after the plan was to have been ready.

Actual integration is achieved through joint individual production activities<sup>42</sup>.

Rationalizations and interpretation of the institutions, behavioral rules, and processes of decision making in the Centrally Planned Economies on the one hand, and the known parts about intra-CMEA cooperation efforts on the other, suggest unambiguously that Socialist Economic Integration to this day

40. *Quarterly Economic Review*, *op. cit.*

41. A. Loukawov, *op. cit.*, p. 42.

42. K. Pécsi, *The future...*, *op. cit.*, p. 8.

continues to be a rather vaguely defined goal instead of the focus of an enveloping but comprehensive regional economic policy that inspires target policy action of each member<sup>43</sup>.

National planners seem to be more intent on solving their own regional problems, promoting bilateralism, establishing individual trade and finance relations with the West, and carrying out various indigenous economic reforms, all of which run counter to COMECON integration. Hungary and Poland, in particular, favour certain limited forms of decentralized measures including greater reliance on price levers and encouragement for fairly limited private enterprise mainly in the service sector in agriculture.

An extreme policy that could lead to integration would be to allow a far greater use of horizontal integration measures via inter-enterprise contacts, a more efficient price structure, free mobility of labour, capital and products across boundaries and convertible currencies. However, the establishment of market solutions would involve the creation of a new set of economic problems involving overt unemployment, unrepressed inflation and greater income inequality, that are westworld problems; besides, these problems have become severe recently, especially, the unemployment problem.

In the early 1980s<sup>44</sup> the divisions are as deep as ever. In fact the non-appearance of the 1981-1986 CMEA plan may have been partly due to sharp disagreement over the USSR proposal that the plan should be broken down to provide annual target for the achievement of coordinations objectives.

If the USSR can be characterised as a country that would wish to see greater planned coordination of CMEA activity, other, namely Hungary, Poland and Romania argue that specialization and cooperation can only be successfully achieved through greater use of the price mechanism in transactions between member states. They argue that a lack of reliable cost and price information is the main barriers to deepen economic integration. There are two problems here. One concerns prices for CMEA trade and the other concerns the fact that the prices used for CMEA trade are based on a moving average of world market prices over the past five years, while internal prices are quite divorced even from market prices. Reform minded Hungarian and Polish economists especially argue that with prices like these it becomes impossible to tell which activities are profitable and which unprofitable and so decisions on lines of specialisation are likely to be mistaken.

43. Josef M. Van Brabant, *Socialist economic integration*, Cambridge University Press, Cambridge-London-New York-New Rochelle-Melbourne, Sydney, 1980, p. 246.

44. *Quarterly Economic Review*, *op. cit.*

The joint projects that do exist within the COMECON framework have mainly concerned investment—usually in the USSR—for future energy supplies. Probably such projects can be fairly easily agreed on because the benefits are easy for all to see and to share.

## V

As our symposium was reported to the Eastern European countries, and, especially, to the Balkan countries, I would like to insist a little more to the latter one's.

1. Greece and Turkey are not member-states. On the contrary, Greece is a full member to the European Economic Community and Turkey is connected to it.

2. Albania joined the other founders of the CMEA, a little later of its foundation, in February 1949. Although Albania ceased having an active role from the end of 1961, she never retired officially from CMEA. It is often considered that she has left *de facto* the Organization<sup>45</sup>.

3. Yugoslavia, in 1964, was concluded a special agreement that enabled her to participate on equal terms with CMEA's members in the areas of trade, finance and industry.

The Yugoslave case is interesting: during the surges forward leading to crises, Yugoslavia has tended to increase trade with East European countries and to run a surplus with the last and a deficit with West<sup>46</sup>.

4. Bulgaria and Romania are co-founders of the Council for Mutual Economic Assistance (5-8 January 1949) and the only of the Balkan countries who have full membership in that Organization.

Bulgaria and Romania have some common characteristics: Both of them were only at the beginning of industrialization when the CMEA corporation was built out among countries with different "initial conditions"<sup>47</sup>.

We have also to add that the basic feature of the CMEA was to make the national industrial development of the small industrializing countries, with

45. P. Gelard, *op. cit.*, p. 77.

46. L. Sirc, *op. cit.*, p. 11.

47. F. Kozma, *Economic integration...*, *op. cit.*, p. 133.

relatively weak potentials, as was the case of Bulgaria and Romania, the common cause of the whole community<sup>48</sup>.

But, also, there are some differences among Bulgaria and Romania.

Romania is more independent in the frame of the CMEA than Bulgaria.

Romania, for instance, in a general way, does not adhere always from the beginning to the different common institutions or to the concerted acts, though, many times, she adheres to them later<sup>49</sup>. For instance, when the CMEA's Charter was amended in 1974, Romania was among those small countries who preferred more independence<sup>50</sup>. Anyway, Romania refuses always an economic specialization in the frame of CMEAS's countries, if she is thinking that is against her national interests<sup>51</sup>.

With Bulgaria is completely different. As we have already explained, the Soviet Union is the dominant member of the CMEA and Bulgaria is Moscow's closest ally and is considered her "enfant gâté".

For Bulgaria, it is thinking, that the socialist economic intergration, was one of the decisive factors for her economic development<sup>52</sup>. For instance, the plenum of Bulgaria's Communist Party in July 1968<sup>53</sup> formulated very clearly that Bulgaria faces a close integration in the frame of the socialist community.

Bulgaria participates in scientific and technological cooperation among the CMEA countries as well as in almost all international economic-technical organization set up within CMEA<sup>54</sup>, as it attaches particular importance to these forms of socialist economic integration, for they ensure a direct linking up of science and production.

## VI

In generally speaking we can conclude that international economic organizations and joint ventures help to integrate the production and they have extensive opportunities for developing the effect of production integration and supplement the previously established.

48. *Op. cit.*, p. 135.

49. M. Laligne, *op. cit.*, p. 54.

50. G. Sciafone, *op. cit.*, p. 3.

51. P. Gelard, *op. cit.*, p. 77.

52. Néscó Tsarevski, *Le développement économique de la R.P. de Bulgarie et l'intégration socialiste*, Sofia-Presse, 1977, p. 7.

53. *Op. cit.*, p. 17.

54. S. Shalamanov, *op. cit.*, p. 69.

These organizations could become the institutionalized bearers of the large-scale development of production integration as well as from the aspect of economic real processes as from the aspect of the economic real regulations<sup>55</sup>.

Integration means that the different countries unite and form a relative whole. But integration passes through different stages and develops to a different degree in the various sectors of the economy and social life. Integration continues until complete unification<sup>56</sup>.

Some writers believe<sup>57</sup> that efforts should be made to enter into dialogue and then to establish relations with those capitalist integrations which prove to be lasting, above all the EEC with the aim of finding jointly, the ways of means of abolishing discrimination, gradually expanding economic relations, without supra-national organs taking over in the two communities the full rights of directing relations between the countries concerned.

At present, after 35 years of COMECON, integration is in its initial phase, that means that the CMEA countries are passing over from what can be called "traditional cooperation". This is a transition period and the stage of complete integration is still far off. We have still to see the development of the equivalent of the socialist multinational corporation. Of course, international economic corporations, joint enterprises and research units have been established. But problems over ownership and control have so far inhibited the further development of this device as a possible vehicle of socialist integration.

55. K. Pécsi, "Economic questions...", *op. cit.*, p. 29.

56. J. Aroyo, *op. cit.*, p. 34.

57. R. Nyers, *op. cit.*