

~~SECRET~~Satellite CommitteeServices Division

On 13 March, the Committee discussed the present state of economic coordination within the Soviet Bloc. Since mid-1956 there has been an apparent partial disintegration of the coordinated system of mutual planning as it affects both production and trade. The problem was posed in the following terms: Is this disintegration to be explained as the result of some fundamental flaw in Bloc plans for extended coordination, or merely as the result of a temporary maladjustment within the Bloc? An example of the first approach might be found in the fact that, in part, plans for Bloc coordination have little basis in economic reality, that in large areas Satellite economies are not sufficiently complementary and the essentials of a free trade area encompassing the Satellites are lacking. Insofar as this is true, coordination can be enforced, but there are no inherent bases motivating the Satellites to pursue it. On the other hand, the apparent disintegration may be the result of a temporary adjustment to a lower and more realistic rate of growth, which when achieved, will make the whole coordinated system a more healthy and stronger one.

In the discussion, several points were made which had particular bearing on the problem. As far as non-ferrous metal imports are concerned, the Satellites depend on the West first, the other Satellites second, and on the USSR third. In electric power, interchange between Satellites is still sponsored by CEMA, but despite the fact that it would be advantageous to the countries concerned, observed progress in this direction is limited. In ferrous metals, the USSR shipped more than her commitments of iron ore to Poland. The USSR price of ore to Poland has been 20% less than the world unit price. In non-ferrous metals, the USSR is developing substitutes for bauxite while Czechoslovakia and the GDR will not, according to their plans, need either bauxite or alumina from Hungary in the future. These latter two points imply that Hungary's future specialization in alumina and bauxite for purposes of a Bloc-wide division of labor, has not been coordinated among Bloc members.

At the meeting on 20 March 1957 the Committee will hear a panel discussion on unemployment in the Satellites. The panel will be composed of [REDACTED] 25X1A9a

25X1A9a Mr. [REDACTED] of FDD will be in "Q" Building on Thursday morning, 25X1A2g March 21, to discuss the exploitation of [REDACTED] (153 pages in German) with interested analysts.

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