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THE MOSCOW ECONOMIC CONFERENCES OF JUNE, 1962



CENTRAL INTELLIGENCE AGENCY  
Office of Research and Reports

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THE MOSCOW ECONOMIC CONFERENCES OF JUNE 1962

Information on the high-level economic conferences held in Moscow from 6 to 9 June 1962 gives no support to the speculations in the West that dramatic action would be taken on such key issues as Berlin, Soviet Bloc integration through supranational planning, Bloc agricultural problems, and the Common Market. The conferences, however, probably have set the stage for more vigorous efforts to coordinate economic plans and technical developments among CEMA members. This conclusion is supported by the recent appointments of top-level economic administrators to the newly formed "Executive Committee" of CEMA and to special posts in national governments created to oversee economic planning and CEMA coordination.

The conferences concentrated on long-term development of the "world socialist system" and published a more comprehensive statement of planning doctrine and assumptions than had previously been released. The "socialist countries" were declared to have entered a "new stage," in which international socialist division of labor and the development of the "world socialist system" play key roles in paving the road to Communism. The structure of CEMA was expanded to include new organizational elements designed to further the program of intra-Bloc coordination. The CEMA charter was modified to permit acceptance of non-European members, and the admission of the Mongolian Peoples Republic (together with the exclusion of Albania) gave further emphasis to the Sino-Soviet dispute. With respect to the Common Market and trade with the West, the conferences echoed (somewhat weakly) Khrushchev's statements on coexistence and the need for an international trade conference to promote world trade on a "nondiscriminatory" basis. Neither the statements published nor the actions taken at the conferences indicate that radical changes in Bloc economic policy or in the functions of CEMA are impending. The establishment of a more explicit yet flexible doctrine for economic cooperation, however, may help to clear the way for more coherent policies aimed at closer economic cooperation within the Bloc.

There were actually three separate, although closely related, conferences, as follows: (1) the Conference of Representatives of the Communist and Workers' Parties of the Member Countries of CEMA on 6-7 June, attended by the first

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secretaries of the central committees and heads of government (with Albania conspicuously absent and representatives of the Mongolian Peoples Revolutionary Party present); (2) the remarkably brief Sixteenth (Extraordinary) Council Session of CEMA on 7 June -- a pro forma meeting that rubber-stamped the outcome of the Communist Party conference and made administrative changes in the structure of CEMA to implement the Party-approved policies; and (3) the meeting of 8-9 June of the CEMA Assembly of Representatives, which studied measures to put into effect the changes decided on by the Council Session.

The fact that the main conference was a top-level Communist Party meeting, with the first secretaries of the Parties of the various countries in attendance, underscores its importance as a guide to shifts in policy. The results were not radical departures from past policies but embody many preexisting planning premises in an explicit framework of principles in the Conference communiqué and in the "Basic Principles of International Socialist Division of Labor" adopted by the Conference. These principles had been given preliminary approval by the Fifteenth Council Session in Warsaw in December 1961.

The prolix declarations emanating from the Conference are built on the thesis that the socialist countries have entered a new stage in which the interaction of internal policies on industrialization and mutual cooperation (in the "world socialist system") are necessary to insure rapid growth in each country and to make possible their entering Communism at "more or less the same time." In spelling out this broad thesis, the "Basic Principles" are ambiguous on a number of issues, including the extent and nature of intra-Bloc integration in the long run, relations toward underdeveloped countries, and the implications for relations involving the Chinese Communists. Consequently, the principles provide doctrinal justification for eventual policy moves in various possible directions. On the other hand, the fact that a doctrine, however vague, was established has some importance in Communist countries, and, in this case, the doctrine appears to reflect a measure of agreement that more should be done to promote economic cooperation within the Bloc.

The principal method by which CEMA is to influence socialist construction is the coordination of current and long-term plans, with emphasis on the latter. Only through

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the coordination of long-term plans -- to 1980 and beyond -- can agreements on specialization result in basic changes in the economies of CEMA countries. In the absence of such a framework, the tendency is to concentrate on short-term problems in the supply of key commodities rather than on the basic proportions of economic development. The technique of operation in CEMA remains coordination of separate national plans (but with new emphasis on common objectives and assumptions). This approach carries overtones of forestalling balks by those Bloc countries that would be loathe to accept supranational planning from Moscow and also suggests a less ominous image of economic planning to underdeveloped countries that might mistake more direct measures for something akin to imperialism. On the other hand, the communiqué and the principles are written in such a manner that an eventual transition to supranational planning would not require undue dialectic strain.

The stated objective of equalizing levels of economic development in socialist countries "in the same historical period" is hedged considerably, for it is also stated that this objective does not mean elimination of all differences resulting from peculiarities in natural resources, climate, national structure of demand, and the way of life of the people. Maximum mobilization of domestic resources is prescribed as the primary method for industrialization. The various types of assistance that developed socialist countries would be expected to give their less fortunate comrades are indicated. Among the direct aid measures, credits are listed last (suggesting that in the "world socialist system" some members are likely to remain "more equal than others"). Joint investment projects, which implicitly involve credits, however, are given prominence in the program.

The planning guidance in the "Basic Principles" and the Conference communiqué stresses the maximum development of fuels, power, ores, metallurgy, and chemicals in all member countries. Except in mining, where location of deposits obviously is crucial, all member countries apparently are expected to develop the major branches of these industries, although not to the same degree. Specialization apparently would be limited mainly to the assortment of products (for example, rolled steel) and would reflect the structure of demand and output in the individual countries as well as prospects for economies of large-scale production. More extensive specialization -- not only by individual articles or type sizes but also by basic groups and in the supply of

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components -- is called for in machine building. Such specialization clearly is a very long-term objective, which has lower priority than the expansion of production in basic industry. These principles are entirely consistent with the basic economic policies of member countries as expressed in the current Five Year Plans. Top priority in investment allocations throughout the Soviet Bloc is being given to basic industries, and not enough resources are being allocated to the machine building industries to support any rapid changes in the broad composition of their output.

The actions of the Conference were not limited to doctrinal matters and to such questions touching on the Sino-Soviet dispute as the decision to admit non-European members to CEMA and the admission of the Mongolian Peoples Republic, while continuing Albania's anomalous status in the organization (not formally disassociated, but not participating). Steps were also taken to improve implementation of CEMA policies. On a technical level the Conference stressed the need for developing common standards, coordinating scientific-technical research, and achieving a common methodology in statistical reporting and the computation of technical indexes. To coordinate Bloc efforts in seeking solutions to these problems, the CEMA Council Session established the following four new organizations: the Permanent Commission on Standardization, the CEMA Institute for Standardization, the Permanent Commission on Coordination of Scientific-Technical Research, and the Permanent Commission on Statistics.

Decisions were also taken at the Conference and action has been taken in the CEMA organization and in several of the member countries' national governments to make the process of economic coordination within the Bloc more effective by administrative means. In CEMA an Executive Committee was created, consisting of deputy heads of the governments of the member countries. This Committee, which met for the first time during 10-12 July, is expected to reinforce and expedite the coordinating processes through pressure on the various planning and administrative organs by the top level of government in each country. Although no change was reported in the status of CEMA recommendations, which are not obligatory or enforceable by CEMA, it is likely that such recommendations will carry more weight than in the past, for the new administrative surveillance has been sanctioned by the Communist Party first secretaries at the Conference. The USSR, Czechoslovakia, and East Germany underlined the importance of the new Committee's functions by assigning the

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responsibility of coordinating CEMA affairs to their top economic officials -- the former chairmen of the respective state planning commissions. In Hungary and in East Germany, guidelines for long-term planning recently approved by the Central Committees reflect the program and principles adopted by the Moscow Conference.

It is probable that the new administrative machinery was established also to cope more effectively with incompatibilities and failures in the implementation of current Five Year Plans. This action, together with specific stress at the Conference on the importance of honoring delivery commitments, reflects the concern of the Conference with the economic strains being experienced in some Bloc countries.

The meetings apparently did not establish concrete measures on multilateral clearing and payments but once again endorsed their gradual introduction. There was no organization created to handle the joint financing of investment, yet joint investment is repeatedly emphasized in the documents. Nor was any note taken of current agricultural problems beyond the usual call for improved techniques and wider cooperation and an expression of satisfaction with the rapid progress in collectivization without much reference to trends in output.

The decisions of the Communist Party leaders essentially dealt with matters of principle and provide no timetable for phasing of implementation. It is their clear intent, however, to apply new stimuli to bring about a more thorough and more efficient coordination of national plans and an extension of specialization and cooperation in production in the Bloc. The door has been left ajar for the Chinese Communists to enter CEMA -- if they will establish conformity to the correct (Soviet) doctrinal approach to the development of world socialism and Communism. There is appeal to the less developed countries, within and outside the Bloc, in the doctrine of equalization of levels of development -- and, at the same time, appeal to the more developed countries of the Bloc in offering a path toward Communism without impairment of their higher levels of living through excessive sharing with their comrades in the less developed countries (the recognition of variant standards for "equalization").

The approval of the new statement of doctrine on more thorough plan coordination and more effective specialization by the first secretaries attending the Conference -- the stamp

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of authority -- is likely to result in the new measures being taken seriously by Communist Party members and government functionaries. This response may result in their carrying out necessary cooperative activity more efficiently. The steps taken to improve coordination on technical matters should increase the ability of Bloc countries to link their economies more closely. Most important, the creation of next-to-top-level administrative posts in national governments and the Executive Committee in CEMA is likely to presage a more vigorous implementation of agreed policies and actions.

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