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THE CMEA'S FUTURE: THE DEMISE OF THE
SOVIET-CENTERED MODEL?

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Summary: Growing differences among CMEA members' response to perestroika, increasingly diverse domestic economic conditions, and the growing appeal of cooperation with the West portend changes in CMEA integration. While complete disintegration is not to be expected, the CMEA's former homogeneous and exclusively Soviet orientation cannot be restored.

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Economic Summit Announced. Czechoslovak Prime Minister Ladislav Adamec announced last month that Prague would be host to a summit meeting of CMEA leaders sometime in March. The announcement indicates that the beleaguered Kremlin is about to act more resolutely with regard to the CMEA. It is reasonable to expect that the forthcoming summit, the third in the 1980s,¹ will make important decisions about the CMEA's integration strategy in the age of *perestroika*.

Broadly speaking, two main areas require urgent attention. First, the CMEA members must develop a workable consensus about domestic economic reforms and the extension of reforms to intrabloc affairs. CMEA members (excluding Romania) are now committed to creating a "common market," that is, a market-based mode of integration different from previous practice; and this will require an unprecedented degree of coordination in reforming the foreign trade and financial mechanisms (and, by implication, in domestic reforms). Secondly, the CMEA member states are now supposed to agree on the next major production specialization plan, which bears the cumbersome title of the Collective Concept for the Socialist International Division of Labor for the Period from 1991 to 2005.

Both of these tasks present insurmountable political obstacles. With regard to reform, it is clear that no progress can be made so long as East Germany and Romania continue to

scorn *perestroika* and Czechoslovakia and Bulgaria sit on the fence hoping that the Gorbachevian nightmare will come to an end. Any pressure by the more reform-friendly regimes (Hungary, Poland, and the USSR) would, moreover, be resolutely resisted by the conservatives as illegitimate interference in domestic matters. The political difficulties involved in hammering out a production specialization plan (under the Collective Concept) are equally daunting: no CMEA government is willing to have its planning sovereignty reduced for the sake of the common good.

Crisis and Disintegration. These political tasks have become necessary at a time of unprecedented changes within the socialist economic community. The changes have been of two types. First, the malaise of the centrally planned system, which was always evident, has deepened into a crisis: the "intensification" of the CMEA economies has failed to occur; economic growth rates and, more recently, intra-CMEA trade continue to stagnate²; and CMEA industries remain backward technologically in relation to the West, while foreign indebtedness (partly due to mismanaged efforts at modernization) and the consequent consumer deprivation has reached critical levels in some countries.

The other, more recent change, is the increasing divergence in the fundamental outlook and policies of the individual CMEA regimes, a development partly due to the varying intensity of crisis in each country.³ While the hard-pressed Hungarian and Polish regimes have adopted an increasingly radical reformist position, antireformers (the GDR and Romania) seem to be more determined than ever not to budge from orthodoxy. The fact that "neutral" Czechoslovakia and Bulgaria remain in the middle trying to look reformist while making very few real changes is also significant: their position shows that in today's CMEA it is perfectly possible to be neither fish nor fowl.

This situation in turn says much about the center of the socialist world--the USSR: the Kremlin, which itself is veering toward reform, does not appear terribly worried about this growing diversity. Or is its apparent indifference the result of sheer imperial fatigue and a lack of will to force the dissidents into line?⁴

"See-Saw" Effect. Important changes have also matured in the pan-European economic dimension. Although the traditional East European-Soviet economic link (supplies of Soviet primary commodities in exchange for East European manufactures) continues to act as a strong cohesive factor, it is becoming less relevant in the context of future development, because the CMEA members have failed to transform it into a conduit for transferring high technology. Since the failure of the 1985 scientific and technical program has become apparent, the vision of the CMEA as the technological center of the member countries is now as elusive as ever. There is some evidence (for example, the purchase or leasing of Western airliners⁵) that some East European countries are losing confidence in the CMEA's

technological future and recognize that the West will be needed increasingly to fill the gap.

At the same time, the attraction of links with the West is growing. Heavily indebted Poland and Hungary are especially keen on cultivating relations with the West (Hungary concluded an extensive trade agreement with the EEC) and have admitted that their reformist measures are partly due to pressure from Western financial institutions, such as the IMF. All CMEA members have, in fact, recently shown more readiness to abolish some of the greatest barriers to East-West cooperation, for example, by liberalizing their joint venture laws.

This situation can be seen as a kind of "see-saw": while the CMEA seems to be grinding to a halt and is losing confidence and its sense of purpose,⁶ its Western counterpart, the EEC, is becoming ever stronger; the abolition of internal economic frontiers by 1992 is bound to increase the EEC's attraction even further at the expense of the CMEA.

Containing Disintegration. It is unlikely that the erosion, if not disintegration, of the CMEA as the focal point of the socialist economies can be arrested or reversed. It would be utopian to expect all member countries to carry out a radical, market-oriented restructuring of their economic systems and industries, so that they could rapidly create a technological counterweight to the EEC.

It is more likely that the Kremlin will accept the inevitable erosion of its imperial power and tolerate the growing diversity within the group. It will push for restructuring intra-CMEA trade and the system that regulates it, but this will be a protracted process virtually imperceptible in the medium term. Intra-CMEA cooperation in science and technology, if it materializes at all, is most likely to become a conduit for the more efficient diffusion of acquired Western technology within the bloc than a generator of technology in its own right. The Kremlin must accept the fact that it must concentrate on containing disintegration rather than building a fortress of the CMEA.

The CMEA as a Central European EFTA? What, given these prospects, is likely to become of the CMEA in the decades to come? One model that comes to mind is the European Free Trade Association (EFTA), which was established in 1959 by Austria, Denmark, Norway, Portugal, Sweden, Switzerland, and the UK and later Finland and Iceland, which for various reasons (neutrality or postimperial links) did not want to join the EEC. Its aim was to promote mutual trade through measures such as abolishing tariffs but short of formulating joint economic policies or political union, as was the guiding idea of the EEC.⁷

The European CMEA could probably be eventually transformed into an inherently diverse group similar to EFTA, operating at

the periphery of the EEC, while loosening its "postimperial" connections. It could remain a distinct organization in its own right while becoming more diverse in its orientation and receptive to external influences. It would continue to maintain its vital link with the USSR, though the role of this link would gradually diminish as the CMEA economies became more modernized. Second, there would be more cooperation within the group (excluding the USSR) for reasons of sheer geographical proximity and traditional CMEA allegiance. Third, the CMEA could develop increasingly important technological links with the West, particularly with the EEC.

It is possible that the Kremlin under Gorbachev would not strongly resist such trends. A peaceful evolution along such lines would divest the USSR of its unviable and economically burdensome East European empire in a controlled manner, while formally maintaining its ties for the sake of its geopolitical image; it would also assure the USSR of East European neutrality and exclusion (at least for the present) from the EEC. Such a development would also be consonant with the principles of "new thinking" in East-West relations, with the Soviet notion of a "European common house," and with the Soviets' declared aim of overcoming the legacy of Stalinism. This scenario might be too optimistic, but there is really no other alternative: a fully separate, exclusively Moscow-oriented, economically successful CMEA is now firmly in the realm of phantasy.

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- 1 Meetings of East European leaders devoted exclusively to economic matters are rare. In the 1970s there was only one summit (1971), and next one was not held until 1984; the last summit took place in November 1986. It is unusual for a summit to be held anywhere but Moscow.
- 2 While intra-CMEA trade grew by an average of over 8% a year from 1971 to 1975, the growth from 1981 to 1985 was only 3.2% per annum. Growth virtually came to a halt in 1988, partly because of the decline in prices for Soviet exports of energy and materials and East European reluctance to fill the gap by importing Soviet manufactures.
- 3 V. Sobell, "Economic Stability and Communist Conservatism," RAD Background Report/223 (Economics), *Radio Free Europe Research*, 11 November 1988.
- 4 The growing diversity can be seen as a decisive and irreversible transition from the old "satellite" model of the CMEA, in which all countries were very close to the Soviet center and followed its example in detail, to an inherently more diverse and looser "solar system," in which all "planets" are further away from the Soviet "sun," as well as from one another, and where domestic conditions in each country greatly vary.

- 5 Boeing is leasing three jets to Hungary's Malev Airline and is negotiating a similar agreement with Romania. In April Boeing airliners will be leased to the Polish airline LOT. The West European consortium Airbus Industrie is to sell aircraft to the GDR and Czechoslovakia. This development is psychologically important, because the East European aircraft market has traditionally been dominated by Soviet producers.
- 6 One of the most visible signs of serious disorder in intra-CMEA relations is the recent "customs war" as all countries try to prevent "fraternal" foreign nationals from shopping in their stores and contributing to existing shortages of consumer goods.
- 7 EFTA was, of course, weakened by the desertion of the UK and Denmark and, more recently, Portugal to the ranks of the EEC; another member, Austria, has made it clear that it would also like to apply for membership in the community. As the EEC grows stronger, the position of other economic communities in Europe, including the CMEA, clearly becomes more precarious.

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