

# The Struggle of the Soviet Conception of Comecon, 1953–1975

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*God himself, as they say, ordered us communists and leading persons to give an example of economic cooperation with commonly united aims.*<sup>1</sup>

## ABSTRACTS

Der Artikel untersucht für die Zeit von 1953 bis 1975 die sowjetischen Versuche, Reformkonzepte für den RGW zu erarbeiten. Während der Stalin-Ära begann die Sowjetunion, eine starke direkte Kontrolle in Ostmittel- und Südosteuropa auszuüben, was auch das Wesen der Zusammenarbeit wesentlich prägte. Kooperation hatte in dieser Zeit keine Priorität. Erst nach Stalins Tod begann die Sowjetunion, eigene Konzepte für die wirtschaftliche Zusammenarbeit im RGW-Raum zu erarbeiten. Chrusčev wollte die Kooperation auf wissenschaftliche Grundlagen stellen. Unter Berufung auf „objektive Gesetzmäßigkeiten“ der wirtschaftlichen Entwicklung sollte jedes Land dazu bewegt werden, sich auf bestimmte Branchen zu spezialisieren. Diese Überlegungen schlossen die Erarbeitung und Umsetzung eines für den gesamten RGW geltenden, gemeinsamen Plans ein. Ähnlich wie bei seinen Sovnarchoz-Reformen ging Chrusčev hierbei von einem Ideal des kommunistischen Menschen aus, der jedoch in der Realität nicht existierte. Auf internationaler wie auf Unionsebene scheiterten seine Reformen aus zwei Gründen: Zum einen schaffte es die Sowjetunion nicht, einen wissenschaftlich begründeten RGW-weiten Planungsprozess zu etablieren, zum anderen konnte die UdSSR die neuerliche Ausbildung von nationalstaatlicher Interessenpolitik nicht verhindern. Nach dem Scheitern der Reformansätze schlug die UdSSR unter Brežnev einen konservativeren Kurs im RGW ein, der vor allem darauf

1 N.S. Khrushchev, Rede des Genossen N.S. Chruschtschow auf der Beratung der ersten Sekretäre der Zentralkomitees der kommunistischen- und Arbeiterparteien sowie der Regierungsoberhäupter der Teilnehmerländer des Rats für Gegenseitige Wirtschaftshilfe 1962, in: German Federal Archive Berlin (BArch), DY 30/ 3481, p. 16 (Translation by the author).

ausgerichtet war, die Effektivität des eigenen RGW-Handels zu erhöhen. Auch diese Ansätze wurden durch heimische Wirtschaftsreformen – im Zusammenhang mit der Liberman-Debatte – beeinflusst.

The article examines Soviet efforts between 1953 and 1975 to develop reform concepts for the Comecon. During the Stalinist era, the Soviet Union began exercising strong control in East Central and Southeast Europe. This control also significantly impacted the nature of cooperation. But cooperation at this time was not a priority; it only became a priority after Stalin's death, at which time the Soviet Union began developing its own concept of economic cooperation for the Eastern Bloc. Khrushchev wanted cooperation to have a scientific foundation. Based on "objective laws" of economic development, each country should be encouraged to specialize in different economic sectors, as part of an overarching plan for the economic development of the CMEA area. Like his Sovnarkhoz reforms, Khrushchev based this plan on the ideal Communist man, who in reality did not exist. The plan proved unsuccessful at the international and regional level for two reasons. First, the Soviet Union failed to establish a centralized rational planning process for the entire Eastern Bloc. Second, the Soviet Union could not prevent the resurgence of policies based on national interests. Following Khrushchev's failed effort at reforming Comecon, Brezhnev adopted a more conservative approach, aimed primarily at increasing the effectiveness of Soviet trade relations in the CMEA. These approaches were also influenced by reform efforts at the national level against the backdrop of the Liberman Debate.

## 1. Introduction

During its existence, the Council for Mutual Economic Assistance (Comecon) introduced several structural reforms, but none of them succeeded as their inventors had hoped. Randall Stone argues in *Satellites and Commissars* that the main reason for Comecon's resistance to reforms was the inability of the Union of Soviet Socialist Republics (USSR) to force unwanted policies on lower administrative levels of Comecon member states against their will.<sup>2</sup> This article is an attempt to complement the existing body of literature on the topic by offering new perspectives to this line of enquiry. In doing so, it will highlight the struggle that the Soviet Union faced while developing its own conception of inner-Comecon cooperation. I argue that the Soviet Union under Stalin fully shaped the economic relations within Comecon without developing its own distinctive form of socialist cooperation. Cooperation was based exclusively on Soviet whims, and enforced by brutality. The absence of an elaborate concept led to an existential crisis after Stalin's death, as terror was no longer used as a political device. The absence of terror in the post-Stalinist period induced the Soviet Union to develop its own concept of Comecon trade, which was regarded as needing to be scientifically based. To be successful, a common price base was needed inside Comecon, which at that time was nearly impossible to

2 R.W. Stone, *Satellites and commissars. Strategy and conflict in the politics of Soviet-bloc trade*. Princeton, NJ 1996.

achieve. Khrushchev promoted his idea of a common plan for Comecon without a scientific basis – and failed. After Khrushchev's endeavours to reform Comecon, the Soviet Union undertook only half-hearted approaches to restructure Comecon cooperation, which made cancelling or ignoring any attempts of reform remarkably simple. Without a new fundamental reform of trade organization, the Soviet Union remained trapped in old Stalinist patterns of action with very little room for manoeuvre. The ineptness of the Soviet Union to reform Comecon is therefore a consequence of its inability to develop a fully functioning socialist trade system.

## 2. Developing a Socialist World System: Setting up Soviet Foreign Trade with the New Socialist Republics

Legitimized through its own success, the Soviet Union began to influence – at first, indirectly and cautiously – the countries in its sphere of interest. This process was not without contradictions, primarily because the majority of the occupied states were former aggressors during the Second World War, which had to pay reparations. Yet, the Soviet Union also prevented the complete economic collapse of the region through its trade input and activities in the region.<sup>3</sup> To guarantee the maintenance of production in these states, the Soviet Union largely supplied them with raw materials. For the Soviet Union, the post-war appearance of its sphere of influence, which was not yet socialist, but of becoming such, was a stroke of luck. Here, one can see the roots of Soviet-East European economic relations. Having been accustomed to having access to Western products, the devastation of these regions left the Soviet Union desperate for nearly every kind of import and technology transfers, which the new people's republics could offer. For its part, the Soviet Union had enough raw materials to sell. The trade relations between the East European states and the USSR thus began to grow rapidly after the war. The most important factories and industry sectors even came under direct Soviet control through the foundation of joint companies.<sup>4</sup>

3 Even countries that had not been former enemy countries like Poland had to deliver extremely cheap coal to the Soviet Union as compensation for gained German territories. See: Pamyatnaya zapiska o postavkakh uglja iz Pol'shi v SSSR v 1946-1953 gg. i ob ekonomicheskoi pomoshchi SSSR Pol'she v etot period, in: A. A. Fursenko (ed.), Prezidium CK KPSS 1954–1964. Chernovye protokolye zapisi zasedanii, stenogrammy, postanovleniya; v 3-ch tomakh, tom 2. Moskva 1956, pp. 426-427.

4 For the Soviet occupation zone, see: W. Mühlfriedel, SAG-Betriebe – Schulen des Sozialismus. Eine Skizze der historischen Entwicklung des staatlichen sowjetischen Eigentums an industriellen Produktionsmitteln in der sowjetischen Besatzungszone und in der Deutschen Demokratischen Republik, in: Jahrbuch für Wirtschaftsgeschichte No. 3 (1980), pp. 159–186, p. 165; For Czechoslovakia see: A. Bischof, Das tschechische „Nationalunternehmen Jáchymov“ – ein sowjetisches Großprojekt? Die Uranerzindustrie in der Wahrnehmung und in den Zukunftsvorstellungen tschechoslowakischer Politiker im Wandel der Zeit (1945–1964), in: M. Schulze Wessel (ed.), Zukunftsvorstellungen und staatliche Planung im Sozialismus. Die Tschechoslowakei im ostmitteleuropäischen Kontext 1945–1989. München 2010, pp. 115–136, at 19-20. Karlsch points out, that one can find such cases also in Bulgaria: R. Karlsch, Ungleiche Partner – Vertragliche und finanzielle Probleme der Uranlieferungen der DDR, in: R. Karlsch (ed.), Strahlende Vergangenheit. Studien zur Geschichte des Uranbergbaus der Wismut, St. Katharinen 1996, pp. 263–300, at 272.

### 3. Driven, Not Leading: Founding of Comecon as an Act of Opposition

During this time, the United States proposed the Marshall Plan, pursuing a completely new foreign policy direction. The new aim was not only to rebuild Western Europe with large-scale loans, but also to integrate the European economy according to Western values and to establish a strong economic bloc against the socialist economy in the East. Additionally, some Central and East European countries within the Soviet sphere of influence, such as Poland and Czechoslovakia, were interested in Marshall Plan loans. Their interest directly threatened the Soviet attempts at economic consolidation of its own sphere of interest. The United States connected the terms of these loans to their new idea of an economically integrated and democratic Europe, which was unacceptable to the Soviet Union. Despite its disapproval, the Soviet Union could not offer credits of such large amounts.<sup>5</sup>

The immediate response was the forceful strengthening of Soviet power within its sphere of influence. A peaceful path to socialism was quickly forgotten and, within a short time, all of the Eastern bloc countries were taken over by communist regimes, which soon established Soviet-inspired planned economies. To force and control the “building of socialism” in these countries, the Soviet Union started to send Soviet advisors. These advisors quickly became the key elements of the Stalinist system in the people’s republics. Soviet officials maintained that their advisors acted only as consultants although the Soviet Union controlled the intelligence apparatus directly, and thus a Soviet advisor could accuse anyone who opposed the new system of being a traitor.<sup>6</sup> Furthermore, the Soviet Union exported its own trade pattern, which tended to be autarkic and overcontrolling.<sup>7</sup> Every country was forced to sever connections with capitalist countries whether they were vital for their existence or not. Instead, the Soviet-influenced countries were forced to look for substitutes inside the bloc or to build their own new factories. After this political decision, economic logic was rather secondary. Self-reliance of the bloc was the main reason for economic decisions in the Soviet sphere after the Second World War. The foundation of the Council of Mutual Economic Aid in January 1949 should be understood as a part of this rationale. Consequently, in the founding protocols of Comecon, the relationships between the socialist states were mainly defined in opposition to the capitalist model. The protocols explicitly mentioned the Marshall Plan and its threat to the interests of the socialist world.<sup>8</sup>

5 K. Kaplan: *The short march. The Communist takeover in Czechoslovakia, 1945–1948*. London 1987, p. 67.

6 T.V. Volokitina, *Moskva i Vostochnaya Evropa. Stanovlenie politicheskikh rezhimov sovetskogo tipa; (1949–1953). ocherki istorii*. Moskva 2008, p. 594.

7 As Sanchez-Sibony recently showed, it is not right to call Soviet trade patterns autarkic. The Soviet Union had a vital interest in trade in nearly every phase of its history. See: O. Sanchez-Sibony, *Red globalization. The political economy of the Soviet Cold War from Stalin to Khrushchev*. New York 2014. However, the fear of a military confrontation with the West led the trade between the two blocs to drop to a bare minimum.

8 The protocols can be found in: *Russian State Archive of Socio-Political History (RGASPI)*, f. 82, op 2, d. 1073. See also M. A. Lipkin, *Sovetskii Sojuz i evropejskaya integraciya. Seredina 1940-kh – seredina 1960-kh godov*. Moskva 2011, p. 90.

Thus, unlike the Marshall Plan, the foundation of Comecon was a defensive response to the post-war economic reality. The Soviet Union forced its own interest, creating unity at the expense of losing much needed Western trade relations. Although Comecon member states also declared that they engaged in economic relations “of a new type”, the definition of such relations remained rather unclear:

*These relations are based on broad common interests and mutual solidarity, which has already achieved great successes in bilateral economic relations between the people's republics and the Soviet Union. These successes are expressed by an immense growth of the exchange of goods and a wide range of new forms of economic cooperation.*<sup>9</sup>

In the Stalinist period, to call economic relations within Comecon “relations of a new type based on mutual solidarity” was problematic at best. On the one hand, Comecon made decisions that were truly based on “mutual solidarity” – and thus did not necessarily follow economic logic. The most important example of this is the decision during the second Comecon session to exchange technical knowledge practically freely within Comecon. On the other hand, the Soviets controlled the entire region more or less directly through their advisors and forced the people's republics to accept their irrational deals.<sup>10</sup> Important factories were dismantled or directly controlled by the Soviet administration. Moreover, the Soviet Union did not regularly provide payment for goods produced in those factories.<sup>11</sup>

Most current scholars understand the first years of Comecon as a time when the organization existed only on paper,<sup>12</sup> which is not entirely true. Comecon had a completely different role under Stalin than it had under Khrushchev and his successors. During the Stalinist era, its most important duty was to cut off trade relations with capitalist states and to strengthen the base of raw material in the region. The organization of a socialist division of labour was not a priority. Likewise, economic logic remained at the margins. The socialist fear of a big confrontation with the capitalist bloc resulted in an investment scope devoted almost completely to the development of the heavy industrial and defence sectors, independent of the available resources. Specialization attempts were therefore limited to a few key industries. Consumer goods were neglected in the Soviet Union as well as in the European people's republics. It is hence not very surprising that the few efforts in cooperation of this early period were limited to trade relations and expanding the

9 RGASPI, f. 82. Op. 2, d. 1073.

10 At least two ministers of foreign trade were executed because they bargained too hard with the Soviet Union. Those Stalinist deals are often described as unfavourable for the people's republics. However, it is not entirely true to call those deals one sided or unfavourable. For example, Poland had to sell coal to the Soviet Union well below world market prices, but the Soviet Union also supplied Poland with goods under world market prices: O. Sanchez-Sibony, *Red globalization*, pp. 68-69. Inner-Comecon trade relations under Stalin are best described as irrational.

11 The most important example might be the uranium mining in Czechoslovakia and the GDR. Even in Czechoslovakia, the uranium mining was under complete Soviet control. See: A. Bischof, *Das tschechische "Nationalunternehmen Jáchymov"*.

12 R. Ahrens, *Gegenseitige Wirtschaftshilfe? Die DDR im RGW - Strukturen und handelspolitische Strategien 1963-1976*. Köln 2000, p. 97; R.W. Stone, *Satellites and commissars*, p. 29.

extraction of raw material.<sup>13</sup> Until the death of the Generalissimus, the Soviet Union did not make serious attempts to create its own authentic idea of a socialist method of economic cooperation. Nevertheless, the USSR changed the economic and political structure of Comecon countries in order to guarantee the unity of the bloc through the system of advisors. Comecon provided advice for further development and rebuked “non-compliance”. The economic advisors in situ made sure that the advice and complaints from Comecon were heard. If a suggestion was not followed, the responsible Soviet advisor would report the native bureaucrats as counter-revolutionary to the Soviet-controlled security institutions. Until Stalin’s death, the socialist bloc could compensate, to some extent, for the resulting social and economic tensions with repression by the means of its advisor system. The renunciation of exaggerated political violence by the post-Stalinist elite, however, led to a crisis of legitimization, which consequently translated into massive protests in some people’s republics. It quickly became clear that the previous policy of continuing demands for reparations and direct control needed to be fundamentally changed in order to prevent a collapse of the Soviet sphere of interest.<sup>14</sup>

#### 4. Inventing Socialist Cooperation after Stalin

One of the first measures after Stalin’s death was the return of the majority of the Soviet stock companies.<sup>15</sup> Additionally, the artificially low coal price was renegotiated with Poland, which the Soviet Union interpreted as compensation for the handover of German industrial equipment to Poland after the war.<sup>16</sup> The reparation debts of former enemy states were also alleviated. Likewise, after Stalin’s death, the Soviet Union cleared its trade debts to Czechoslovakia, which it had accumulated due to delayed payments for uranium.<sup>17</sup> The influence of the Soviet advisors over policy matters in the people’s republics gradually declined, giving way for local communist parties to gain control. By 1956, the Soviet Union withdrew most of the advisors.<sup>18</sup>

13 To some extent, one can also find ideas of specialization in the protocols of the first Comecon sessions of the Stalinist era. Yet they were restricted to a few sectors with relevance solely for the independence from Western raw materials and for the strategic defence industry. See, for example, specialization in the car industry: Kantselyariya Sekretariata SEV: Proekt Postanovleniya o soglasovaniiya planov proizvodstva avtomobiliej i mototsiklov na 1950 god (1949) Russian State Archive of the Economy (RGAE), f. 561 op. 1s. d. 24, S. 1–4. Fava, for example, demonstrates with the Czech example that under Stalin the car industry almost exclusively focused on military needs: V. Fava, *The socialist people’s car. Automobiles, shortages, and consent on the Czechoslovak road to mass production (1918–64)*, Amsterdam 2013, p. 88.

14 K. Miklóssy, *Khrushchovism after Khrushchev*, in: J. Smith; M. Ilić (eds.), *Khrushchev in the Kremlin. Policy and government in the Soviet Union, 1953–1964*. Abingdon 2011, pp. 150–170, at p. 154.

15 With exception of the Wismut AG, which stayed under direct Soviet control. In fact, the whole uranium industry in the Comecon region was still kept under direct Soviet influence.

16 A. Nove, *An economic history of the USSR. 1917–1991*. London 1992, p. 341–342.

17 K. Kaplan, *Die Entwicklung des Rates für gegenseitige Wirtschaftshilfe. RGW in der Zeit von 1949 bis 1957*, Ebenhausen b. München 1977, p. 44.

18 T.V. Volokitina, *Moskva i Vostochnaya Evropa*, p. 652; A. Steiner, *Sowjetische Berater in den zentralen wirtschafts-*

Domestic economic policy also went through a comprehensive redevelopment. This was most pronounced during the short tenure of Malenkov, who wanted to prioritize consumer goods over industrial goods. This venture was abandoned as soon as he lost power, but it had become apparent that solely focusing on the heavy metal industry was no longer practical, and that the livelihood of the population had to improve.<sup>19</sup> One cannot stress enough the aftermath of such a rethinking of the economic policy. A one-sided investment focus was simple to pursue in socialist economies, but the new policies vitiated such investment strategies. New investment policies had to focus on several different sectors, which had a terrible influence on the efficiency of socialist economies. The focus on several great projects guaranteed their realization in a relatively short time. The diversification resulted in many unfinished projects, which drained the Soviet budget without any hope for amortization in the near future. The post-Stalinist Soviet Union suffered from this fundamental structural problem to its last day.

For the socialist bloc, it was becoming progressively harder to maintain a high rate of economic growth. As the Marshall Plan began to show results, the rates of economic growth generated by Western Europe – primarily West Germany – were impressive and thus even more alarming. In East Germany, the preparation papers for the 1958 meeting of the leaders of the Comecon workers and communist parties reveal that the German Democratic Republic (GDR) admitted that it was unable to keep up with the rapid development of the Federal Republic of Germany (FRG) and therefore asked for massive economic aid.<sup>20</sup> While officially rejecting the idea of economic integration as “imperialistic”, the socialist bloc registered and respected the economic success of the European Economic Community (EEC). At the same time, the Soviet system had to admit that there were great mistakes in Stalinist planning.<sup>21</sup> The socialist bloc had to reform its own planning system at the time when Western economic development began to accelerate. To counteract these developments, the Soviet Union needed to find an answer to the developing structural problems regarding complex investments and efficiency of production. In his speech at the Comecon council session in 1954, the deputy prime minister of the USSR, Anastas Mikoyan, stated that “the plans are worked out without adequate mutual reconciliation and without any reconciliation of those plans with the USSR”. According to Mikoyan, these plans also led to the construction “of numerous companies,

leitenden Instanzen der DDR in der zweiten Hälfte der fünfziger Jahre, in: *Jahrbuch für Historische Kommunismusforschung* (1993), S. 100-117, at pp. 115-116.

19 A. Nove, *Economic History*, pp. 318-319.

20 “Bemerkungen zur Entwicklung der Volkswirtschaft der DDR 1958–1960 und 1961–1965” in: *German Federal Archive Berlin* (hereafter BArch) DY 30/ 3474, p. 33-51.

21 M. Lipkin, *Sovetskii Soyuz i evropeiskaya integraciya*, p. 292. One of the best examples of the Soviet confession to its planning mistakes is Khrushchev's speech at the 6th PUWP CC plenum 1956 in Warsaw, see: N.S. Khrushchev, *Speech by comrade Khrushchev at the 6th PUWP CC Plenum 20 March 1956, Warsaw 1956*, <http://digitalarchive.wilsoncenter.org/document/111920> (accessed 12 May 2017). For further information on the relations between Comecon and the EC, see the Article of Suvi Kansikas in this issue.

without any consideration for the existing possibilities in other People's Democracies and the USSR".<sup>22</sup>

This parallelism neglected industrial branches such as agriculture and the production of consumer goods. In the future, "coordination of the main tasks of national plans" should offer a guarantee "to build where it is advantageous".<sup>23</sup> Plan coordination and specialization would become the major strategy for developing a Comecon-wide economy.

### **5. Organizing Cooperation Scientifically: Debates about Plan Coordination and the Convertibility of National Currencies**

Mikoyan's statements about Comecon represented the first concrete move towards a Soviet conception of Comecon. In other words, his statements are the first assessments of Comecon as something more than a simple economic fortress against the West and led to an understanding of Comecon as a catalyst of socialist economic relations. In order to fulfil these new tasks and to adjust it to the post-Stalinist political reality, Comecon's bureaucratic apparatus had to be widely expanded. The council founded several standing commissions mainly to operate in its branches and manage major issues, such as the Standing Commission for the Economy, which dealt mainly with questions of plan coordination.<sup>24</sup> At the end of the 1950s, Ispolkom, the executive committee of Comecon, became the highest organ of the council between sessions and had the authority to give recommendations for advancing specialization. Furthermore, this period saw the first large-scale projects, such as the unification of the electrical power network, the foundation of the International Bank for Economic Cooperation, and the construction of the Druzhba oil pipeline. Together, these bureaucratic reforms were a response to the same demand for greater participation in decision-making by the people's republics, which could be observed all over Europe after Stalin's death. Yet, this also weakened the position of Comecon.

The motives for the economic redirection were closely interwoven with the challenges of the new economic policy. With the aid of an effective division of investments, the socialist bloc hoped to enhance their efficiency and thus offer a sustainable approach to stimulate economic growth. The Soviet Union wanted to base "the relationships between states of the socialist camp not on someone's subjective wishes but on objective economic laws".<sup>25</sup> Scientific socialism was supposed to become the foundation of all mutual international economic efforts among socialist states. Therefore, through scientific logic, the

22 O reorganizacii i dal'neishei deyatel'nosti soveta ekonomicheskoi vzaimopomoshchi, BArch DE 1 / 21735, pp. 44–48. Also: G. Herzog, Schwäche als Stärke, Bargaining power im RGW, Berlin 1998, pp. 19–20.

23 Ibid.

24 In contrast to older Comecon structures, where the Soviet Union was dominant, like the Comecon bureau, one of the most important features of the standing commissions was that every country had the same rights.

25 D.T. Shepilov, Doklad D.T. Shepilova, „Voprosy mezhdunarodnogo polozheniya i vneshnei politiki Sovetskogo Soyuza“ na VI sessii Verkhovnogo Soveta SSSR, in: A.A. Fursenko, Prezidium CK KPSS 1954–1964, Tom 2, pp. 542–574, at 551.

socialist countries were bound to the formulation of a coordinated development of their economies. For the Soviet elite, there was no doubt that there was only one economic truth, which only needed to be determined. In the intellectual world of socialism, this principle carried a logical trajectory. There was still a strong belief in the Soviet Union that there should be only one socialist ideology and, consequently, only one way to build socialism effectively through Comecon. “Only” this most effective way was to be explored. In this way, the Soviet Union hoped to align the principle of sovereignty with the principle of plan coordination.

This was why the Soviet Union was willing to restructure Comecon in a more “coequal” way through the expansion of standing commissions, as well. As it seems, they simply assumed that among communists one does not need such a harsh control, which Stalin established. “The indisputable unity of our countries results from our class position. On decisions of all fundamental questions, we have one and the same interests. Thus there cannot be any disagreement between us.”<sup>26</sup>

Notwithstanding, within its exploration, the Soviet conception of Comecon faced its first large-scale problem. To evaluate the most effective method of capital investment, Comecon had to prepare an international balance sheet for all Comecon members. And in order to balance several different states, one had to develop a mechanism to compare their currencies. Soviet experts were aware of the problem and repeatedly stressed that the ability of the system to manage either feast or famine depended mainly on the solution to the money problem, because it was impossible to make scientifically based conclusions about specialization plans without guaranteeing the comparability of national economies.<sup>27</sup>

Therefore, in 1958, at the meeting of the workers and communist parties of the Comecon member states, party leaders began to discuss this problem. The Comecon member states wanted to base their own socialist price system on the real value of a product or, in other words, on their real domestic production costs. On the one hand, it appeared to be a very reasonable and achievable project to determine a bloc-wide price basis. On the other hand, the socialist price system itself ensured that this was very risky and perhaps impossible. Every single socialist state used prices extensively as an economic and political tool, so that internal prices were sometimes very far from world market prices. The task of finding a common price basis would have been already extremely complex in the Stalinist era, but the Soviet Union let this question take a back seat. Trade was demanded, with the conditions being treated as a secondary question. As socialist states began

26 S. Khrushchev, *Eröffnungsrede des Genossen N.S. Chruschtschow 1956*, BArch DY 30/ 3473, p. 83–93, p. 84. Surely, such phrases can also be found under Stalinism; however, in the post-Stalinist times, those phrases were often followed by the Soviet elite. The withdraw of the advisors and the reform of Comecon are examples of this new behaviour.

27 Malyshev, *Zamechaniya o proekte predlozhenii ob osnovnykh printsipakh mezhdunarodnogo sotsialisticheskogo razdeleniya truda*. Pis'mo. Tsentral'noe statisticheskoe upravlenie pri sovete Ministrov SSSR (1960), RGAE f. 99, op. 1, d. 649, p. 32.

to gain enough political independence to explore their own paths to communism, this question became very important again.

Thus, it was not surprising that the problem could not be solved at the high-level meeting in 1958. The leaders only decided to investigate the possible ways to change to a common price base in the future and to find a task group to explore this, supervised by the standing commission on economics. Meanwhile, the member states agreed to use world market prices free of cyclical fluctuations, which meant that during each planning period, Comecon member states traded with one another using the average prices of the previous five-year period (sometimes referred to as the “Bucharest Principle”).<sup>28</sup> The burden of finding a solution was thus placed on this standing commission. However, the barriers to exploring any possibilities were very high because, on the one hand, prices had to be comparable; on the other hand, the member states had to preserve their sovereignty over the price formation policies in order to maintain their influence over the economy. Basically, the investigative task group looking at possible ways of changing over to a common price base had to bear all the contradictions that arose from the several different socialist planning systems. A conference dedicated to these questions provided a very good example of this complexity, as every single state presented its own thoughts about the direction the common price base should take. While countries like the Soviet Union and Bulgaria still tried to find a socialist common price base, reform states like Hungary and Czechoslovakia openly called for a market mechanism in the socialist trade system and directly accused the Soviet Union of holding a monopoly-like trade position.<sup>29</sup> At the end of the conference, it was impossible to find common ground on this issue.<sup>30</sup>

The responsible experts within the task group emphasized this contradiction in their first Ispolkom reports. They reported that there was only a remote possibility for the development of a common price base without a harmonization of the processes of price formation,<sup>31</sup> which would have meant limiting the sovereignty of the member-states.

Very soon, the task group was overstrained. Its members went from one problem to the next without solving a single one in a way that was agreeable to all parties. While as several subcommittees were founded to discuss those problems, Comecon member states were aware of the seemingly insurmountable challenge. Already as early as 1958, the GDR very conservatively stated that there were “differences between domestic and foreign prices, which do not have their reasons in currency exchange rates alone”. Fur-

28 Reshenie soveshchaniya predstavitelei kommunisticheskikh i rabochikh partii stran-uchastnits soвета ekonomicheskoi vzaimopomoshchi s uchastiem predstavitelei bratskikh partii stran narodnoi demokratii vostoka po voprosam ekonomicheskogo sotrudnichestva (1958), in: BArch DY 30/ 3475, p. 23; M. Lavigne, *The Soviet Union inside Comecon*, in: *Soviet Studies* XXXV (1983), pp. 135–153, at p. 136.

29 This was the position of one member of the Czechoslovak delegation: *Otchet o rabote Sovetskoi delegatsii na mezhdunarodnoi nauchnoi konferentsii po voprosam sobstvennoi bazy cen v torgovle mezhdru stranami-chlenami SEV* (1967), State Archive of the Russian Federation (GARF) f. R-5446, op. 101, d. 1271, pp. 2–8.

30 *Ibid.*, p. 9.

31 *Teksty po pn. II “v” povestki dnaya (b): O khode izucheniya i razrabotki vozmozhnykh putei perekhoda sobstvennoi baze cen v torgovle mezhdru socialisticheskimi stranami i o merakh uskorenii u etoi raboty* (1962). RGAE f. 561 op. 41s. d. 15, pp. 85–86.

ther, they postulated that, for now, “it is not possible to subordinate the domestic pricing policy [...] under the foreign price policy. This would have meant that the member states would lose an economic instrument for their domestic policy”.<sup>32</sup> This indicates that the Comecon project for a scientific base of the international socialist division of labour was doomed to fail from the beginning. Without a scientific “fundamental truth” (and without a market-type pricing system), there was occasional uncertainty about whether a specialization plan, which would have been effective for the whole bloc, could also be effective for the specialization of the individual states. The consequences of this ambiguity were immense. The uncertainty of inner-Comecon specialization trade led to petty jealousy among member states. Not only was Romania, the black sheep among the Comecon members, unsatisfied with its share of specialization trade, but so was Bulgaria, which was always eager to present itself as one of the Soviet Union’s closest allies. In 1966, Bulgaria complained that its part of specialization in engineering was not big enough.<sup>33</sup> Even if providing a Comecon-wide analysis for economic specialization decisions had worked, the disadvantages of lesser developed countries in such decision-making processes would have been incredibly high. The Romanian suspicion that an intensification of cooperation would have been at the cost of their economic development, for example, was not without reason.<sup>34</sup>

## 6. Khrushchev’s Ideas on Comecon Cooperation: The Common Plan

Ironically, the Soviet Union did not stop to pursue its ideas of a scientifically based division of labour. For the Soviet Union, one of the main requirements for establishing a common price base in the future was a “consequent rational division of labour between the socialist states based on the development of specialization and large scale production”.<sup>35</sup> Higher specialization would lead to higher productivity and therefore to pricing

32 Erwägungen der deutschen Seite zu den Prinzipien der Bildung der Preise zwischen den sozialistischen Ländern 1958, BArch, DY 30/ 3474, p. 236.

33 Gossudarstvennyi planovyi Komitet Soveta Ministrov SSSR (Gosplan SSSR) – Otdel’ koordinatsii narodnohozyaistvennykh planov SSSR i sotsialisticheskikh stran, Porucheniya Soveta Ministrov SSSR, VSNH SSSR i rukovodstva Gosplana SSSR po voprosam koordinatsii narodnohozyaistvennykh planov SSSR i sotsialisticheskikh stran, okazaniya im ekonomicheskoi pomoshchi i dr. voprosam ekonomicheskogo sotrudnichestva, zaklyucheniya i predlozheniya Gosplana SSSR po nim v CK KPSS i Sovet Ministrov SSSR 1963 (1963), RGAE f. 4372, op. 81, d. 380, p. 219.

34 An internal document of the GDR makes the best point about the problem. It stresses that if the Soviet industry would grow on average 11 per cent until 1975, the GDR could only grow 7.2 per cent (Czechoslovakia 5.2 per cent) in order to align industrial development. Consequently, Romania and Bulgaria would have to grow considerably more than 11 per cent. This was not in the interest of the GDR or Czechoslovakia. See: Information über ein Schreiben des Genossen Steinwand, Stellvertreter des Vertreters beim Rat für Gegenseitige Wirtschaftshilfe (RGW) an den Genossen Apel (1960), BArch DY 30/ 3464, pp. 187–196, p. 191; C. Buchheim, Wirtschaftliche Folgen der Integration der DDR in den RGW, in: C. Buchheim (ed.), Wirtschaftliche Folgelasten des Krieges in der SBZ/DDR. Baden-Baden 1995, pp. 341–361, at p. 353.

35 Erwägungen der sowjetischen Seite zur Frage über die Prinzipien der Preisfestlegung im Handel zwischen den sozialistischen Ländern (1958), BArch DY 30/ 3474, pp. 135-145, at p. 141.

based on production. This strategy, the Soviet Union hoped, would ensure a “more just” relationship between different classes of goods. In other words, the Soviet Union was aware that for an effective division of labour, it would need a Comecon-wide common price base. However, for the Soviet Union, the only way to achieve that was through a greater division of labour. Essentially, Moscow wanted to solve the problem with its solution and vice versa. Despite the seeming paradox, it had its own logic: the leadership thought that many of the problems within the Comecon economic system were due to the forced and hasty industrialization process, which would be resolved once the economy reached a higher state of development and the industrial and commercial sectors moved toward equilibrium. This conviction encouraged the Soviet Union to pursue the idea of Comecon’s socialist economic integration even without a common price base and the scientific “fundamental truth”.

By the end of the 1950s, the Soviet Union pressed Comecon to prepare a draft of “Basic Principles of the International Socialist Division of Labour”. Yet, without a common price base, it is not surprising that the editors of this document struggled to develop concrete ideas about how to divide labour based on socialist principles.

Even Soviet analyses of the draft were very critical. Soviet specialists understood the shortcomings of the draft very well and criticized both the complete absence of a common price basis and the missing strategy of how to organize the international socialist division of labour.<sup>36</sup> Notwithstanding the reviewers’ direct criticism of the draft, they did not propose solutions to these problems. This was a major issue in the Soviet conception of Comecon. The aim was clear: a scientifically based system for an international division of labour, which should equally bind all member countries to scientific facts of a single commonly agreed upon plan coordination. Yet, no one knew how to translate this theoretical system into a practical plan, not for the least because there were vastly different understandings of the socialist order.

Historical sources demonstrate that the Soviet Union had not developed its conception of the international socialist division of labour at the time of the drafting of the basic principles. As late as 1962, some reports of the Gosplan Economic Research Institute still showed that there was no scientific basis for an international socialist division of labour.<sup>37</sup> Thus, the draft fell far short of Khrushchev’s expectations of an international socialist division of labour. Khrushchev’s own ideas were inspired by the impressive success of West European integration. In comparison to the Western world, Khrushchev admitted a certain backwardness towards integration of Comecon. In his own words:

36 For example: S. Ryumin, *Zamechaniya po predvaritel'nomu proektu predlozhenii ob osnovnykh printsipakh mezhdunarodnogo socialisticheskogo razdeleniya truda* (1960), RGAE, f. 99. op. 1, d. 649, p. 30. Or: K.V. Ostrovityanov, *Zamechaniya k predvaritel'nomu proektu predlozhenii ob osnovnykh printsipakh mezhdunarodnogo socialisticheskogo razdeleniya truda*, 1960, RGAE, f. 99. op. 1, d. 649, p. 22.

37 *Predlozheniya sektora ekonomicheskogo sotrudnichestva po realizacii prikaza Gosekomsobeta SSSR No. 437 ot 9. Oktyabrya 1962 g.*, “O rabote nauchno-issledovatel'skogo ekonomicheskogo instituta” RGAE, f. 99, op. 1, d. 651, p. 22.

*This kind of cooperation is much lower among us than in the EEC. Although we communists know much better how to use the advantages and the objective laws of the concentration of capital. One can read it already in Marx and the capitalists follow it. I only mention the example of coal and steel. At first, capitalism developed only inside of national borders, but then it went beyond borders and developed international production. In the EEC, those processes found its organizational form. As it is for coal and steel, so is it for mechanical engineering and other fields. We are witnessing a transitional period from national to international capitalism. And what do we do?*<sup>38</sup>

In meetings with Comecon members, he admitted quite directly that capitalist integration processes are so successful that they are even able to economically destabilize several “not so consolidated” young people’s republics. For Khrushchev, this was all the more alarming, as he understood that this destabilization was not only economic. The economic integration in Western Europe was always understood in terms of an explicit connection to the creation of the North Atlantic Treaty Organization (NATO).<sup>39</sup> In other words, the economic strengthening of Western Europe was also perceived as a threat to the security and the very existence of East European socialist states. This, therefore, presented a very serious security threat to the entire bloc.

On another occasion, Khrushchev observed how socialist economic cooperation was virtually offending the socialist idea.<sup>40</sup> Through all his ideological enthusiasm, Khrushchev understood quite well that the economic cooperation within Comecon was still in its fledgling stages and that the autarkic tendencies were still strong among socialist countries.<sup>41</sup> Still, it did not prevent him from being very optimistic about the potential of a properly functioning socialist world system. In his eyes, the socialist system was superior to the capitalist one, and the current conditions were just a temporary paradox resulting from historical and economic circumstances. Overcoming these circumstances was inevitable, or as Khrushchev put it:

*Even if the capitalists achieve certain results with their coordination of their economic activity to certain results, then God himself, as they say, ordered us communists and leading persons with commonly united aims to be an exemplar of economic cooperation.*<sup>42</sup>

Regardless of the divine mandates, Khrushchev knew that strong economic integration, such as that seen in Western Europe, could not be realized in the short term and that the socialist world had still a long way to go.<sup>43</sup> Khrushchev’s speeches about international

38 N.S. Khrushchev, Notizen über die Beratung beim Genossen Chruschtschow am 20.02.1963, BArch DY 30/ 3420, p. 19.

39 N.S. Khrushchev, Rede des Genossen N.S. Chruschtschow auf der Beratung der ersten Sekretäre der Zentralkomitees der kommunistischen- und Arbeiterparteien sowie der Regierungsoberhäupter der Teilnehmerländer des Rats für Gegenseitige Wirtschaftshilfe 1962, BArch DY 30/ 3481, p. 12.

40 N.S. Khrushchev, Notizen, BArch DY 30/ 3420, p. 20.

41 N.S. Khrushchev, Rede, BArch DY 30/ 3481, p. 8-9.

42 Ibid., p. 16.

43 Ibid., p. 6-7.

socialist cooperation reveal that he was very unsatisfied with the situation, as were a lot of other leading communists. Khrushchev saw the current economic cooperation based only on trade, but not on production. From his point of view, the countries did not sufficiently specialize. As Khrushchev put it, they only specialized with the help of specialization lists, where the country that had to specialize was marked with a cross, without any economic consideration, whether this made sense or not. As a cross is a very common way for illiterate people to sign, Khrushchev postulated that Comecon specializes like persons unable to read or write.<sup>44</sup> These specialization recommendations were without concrete commitments, which made realization risky for every member state. This was why Khrushchev, despite of all problems, wanted to reinvent specialization.<sup>45</sup> He formulated very clearly during the November plenum of the Central Committee of the Communist Party of the Soviet Union that Comecon countries should “move boldly forward with the foundation of a common unified planning institution for all countries”.<sup>46</sup>

## 7. Sovnarkhoz Reform as a Blueprint for Comecon?

One might be tempted to ask, “What exactly did Khrushchev mean with a common unified planning institution for all countries?” It is – again – hardly a coincidence that Khrushchev spoke about his ideas about a common plan during the November plenum, the same plenum in which Khrushchev announced a broad reform of the above-mentioned Sovnarkhoz system.<sup>47</sup> Khrushchev also mentioned the connection between his domestic reforms and his economic ideas for Comecon during a Comecon meeting in 1963, where he tried to promote his idea of a common plan:

*We also deal with this question repeatedly in the Soviet Union. We think that we found an appropriate answer with the reconstruction of the Sovnarkhoz. The Sovnarkhozes have been enlarged.*<sup>48</sup>

A closer look at Soviet domestic reforms indeed shows some interesting parallels. In 1957, Khrushchev introduced a broad economic reform inside the Soviet Union, which transferred most of the economic competence from central organs as Gosplan (the Soviet agency responsible for central economic planning) to 105 newly founded regional economic subjects. The idea behind this new concept of economic organization was that regional administrations have a better overview of the regional economy and could thereby organize it better than a central organ.<sup>49</sup> The main idea of Khrushchev’s great

44 N.S. Khrushchev, Notizen, BArch DY 30/ 3420, p. 23.

45 Ibid., p. 23-24.

46 Lukin, *Soobshchenie Sekretarya Soveta po dokladu Sekretariata o deyatelnosti Soveta Ekonomicheskoi Vzaimopomoshchi* (1962), RGAE, F. 561 Op. 415. D. 4, p. 8–21, at p. 10.

47 N. Kibita, *Moscow-Kiev relations and the Sovnarkhoz reform*, in: J. Smith and M. Ilić (eds.), *Khrushchev in the Kremlin*, pp. 94–111, at p. 104-105.

48 N.S. Khrushchev, Notizen, BArch DY 30/ 3420, p. 25.

49 N. Kibita, *Soviet economic management under Khrushchev. The Sovnarkhoz reform*, New York 2013, pp. 35-37.

economic reform programme was – along with the preservation of centralized planning – to abolish the industrial ministries and devolve their managerial authority to the Sovnarkhozes and the republican governments. The regional councils would thus cure the economic administration of the shortcomings of the excessive centralization created by the ministries. They would ensure cooperation and specialization between the enterprises located near each other but previously belonging to different ministries. Cooperation and specialization would prevent wasteful expenditures on transportation and provide the rational usage of production capacities and the development of new products.

The only weak point that Khrushchev anticipated was a possible tendency of certain industrial regions to prioritize the development of their own regional economies, the so-called localisms (*mestnichestvo*).<sup>50</sup> In Khrushchev's ideal world, all that was needed to solve such contradictions was a higher communist consciousness among the people. Regional or national egoisms would be replaced by the awareness of a higher communist good. At the Union level, this system could only work if one assumes that there is only one "right" way to organize the economy and every Sovnarkhoz will follow as soon as this way is revealed to them. Therefore, the responsibility was transferred to the Council of Ministers (SovMin) of the USSR and the republican SovMins to control the situation. Gosplan, in turn, would study the economy of the regions and avoid planning unprofitable economic investments by developing a prospective plan. The aim was to bring the economy through decentralization back to the Leninist principle of regional production management and away from Stalin's approach, which focused on a strong state with centralized power.<sup>51</sup> It is logical that these reforms also influenced Khrushchev's ideas for Comecon. In his idea, bloc-wide economic planning would have only controlled specialization and cooperation. The rest of the planning apparatus would remain in the hands of the people's republics.

As on the union-level, the Sovnarkhoz-reform, Khrushchev's Comecon reform was based on strong communist party discipline and the idea that an intelligent, enlightened communist would always sacrifice his own advantages for the benefit of an abstract communal goal. In Khrushchev's opinion, union-wide Comecon planning had to be strictly scientific in order to guarantee that, in case of contradiction with regional or republic needs, the plan served at least the divine communist good. One might be tempted to say that Khrushchev, with his economic reform, naively believed in a higher-level, altruistic communist human being, who would always identify the needs of random other communist persons as his very own.

Therefore, the domestic economic reforms mirror Khrushchev's considerations for Comecon. Khrushchev wanted the same Leninist ideal of a regional production management orchestrated by an overall scientific based plan for Comecon. Moreover, he had the same naive ideas that communist leaders would sacrifice some of their needs for higher common communist goals. And, thus, the domestic reforms impressively mirror the

50 N. Kibita, *Moscow-Kiev relations* p. 95.

51 *Ibid.*, p. 99.

problems on the supranational socialist level. How could one persuade sovereign socialist states to disregard their own needs for the benefit of an abstract socialist ideal? How would deliveries of goods between entities be guaranteed? How would specialization decisions be assured? And how would “universalism” (a popular word at the time, which meant the opposite of specialization) be prevented? Without the scientific basis, which socialism failed to provide, all those questions were left unanswered. Even though the Sovnarkhoz reform was designed to answer these questions, the more it was utilized, the more it showed that the reform was not the right solution to these issues.<sup>52</sup>

On both the national and international levels, Khrushchev believed in a firm party discipline led by higher communist ideas and in the possibility of scientifically justifying socialist ideas. Both levels demonstrate how Khrushchev – a true communist – struggled with the political reality. Unfortunately for Khrushchev, the communist system did not provide the scientific basis that could have promoted such an awareness of a higher communist ideal. Additionally, there were several opponents to Khrushchev’s idea. In his own words, at least the GDR, Czechoslovakia, Bulgaria, and Poland were open to discussing his proposition, while Hungary and Romania had concerns.<sup>53</sup> As Khrushchev himself mentioned, the USSR still had the possibility of realizing the goal with a “coalition of the willing”, but the USSR obviously decided not to offend the Romanians by pouring oil on troubled waters.<sup>54</sup> Thus, the project fizzled out in 1963 without any concrete results. With the end of the project for a common plan, the efforts to find a common price base for Comecon began to take a back seat. Although the Standing Commission of the Economy continued to investigate the possibilities of changing to a common price base, the Soviet Union no longer included it in its own strategy papers. These strategy papers started to reflect how the USSR hoped to reform the existing price system.<sup>55</sup>

With his ideas, Khrushchev brought to the surface the contradictions of reforms. On the one hand, Khrushchev wanted an efficient socialist division of labour; on the other, no one was willing to bear the consequences of such a policy. The latter case entailed solving the ideological and economic contradictions within the socialist system or overcoming them with a supranational institution, which would have had some power to enforce Comecon-wide planning if needed, even against the will of some member states. This contradiction already prevented the Soviet Union from formulating the basic principles of the international socialist division of labour more precisely. Thus, one can say, that ideological and economic contradictions prevented the Soviet Union from pushing

52 Ibid., p. 102.

53 Shirokov mentions that also Hungary opposed a common plan, just as Romania did: O.N. Shirokov, *SEV v mirovoi ekonomike: sovremennaya otsenka problem funktsionirovaniya i znacheniya. Voprosy istorii, metodologii i istoriografii*. Moskva 2005, p. 52-54.

54 TsK KPSS, Protokol No. 100. Zasedanie 7 iyunya 1963 g., in: A.A. Fursenko, *Prezidium CK KPSS 1954–1964*, tom 1, pp. 719–720.

55 The change in the price system in 1975 is one piece of evidence of the growing acceptance of world market prices.

Comecon into a new level of cooperation. The countries opposing these efforts, led by Romania, had it very easy when it came to boycotting Soviet plans.

In the mid-1960s, the Soviet administration lost patience with the economic commission and criticized it sharply for its inconclusiveness, assuming that the Soviet members of the commission were simply not aggressive enough to enforce their point of view.<sup>56</sup> The struggles to find a common scientific “fundamental truth” were not the only problems in the Soviet conception of Comecon. It was, however, a prime example of ideological struggle within Soviet economic decision-making. These battles prevented the Soviet establishment from developing Comecon according to the Soviet’s conception. Consequently, following the old adage that “nothing is more definitive than the temporary”, the provisional rule to use average world market prices was kept in place, leaving Comecon subject to the development of capitalist markets. Furthermore, the temporary Comecon pricing system contained its own risks: it guaranteed stable prices within the five-year planning periods, yet made the transition to a new pricing period much more difficult and riskier.

## 8. Discovering Its Own Interests

Comecon became a source of deep frustration for its members, especially the Soviet Union. In 1963, the Soviet conception of Comecon had reached a dead end. The altruistic idea of a higher socialist good, which should serve in the form of scientific laws as the basis of socialist cooperation, vanished. Instead, Gosplan ordered its Sector for Cooperation with other Socialist States within its Economic Research Institute to investigate problems of economic efficiency regarding the Soviet Union’s foreign trade.<sup>57</sup> The fact that the Soviet Union thought about economic efficiency was not new, but it was usually reserved for its relations with capitalist states. By placing the idea of base investment on “objective economic laws” on the back burner,<sup>58</sup> socialist trade began to lose its exceptional position in Soviet policies. This does not mean that the Soviet Union did not differentiate between capitalist and socialist trade anymore. But, its focus and its priorities began to change.

Except with the GDR, which still had a more favourable position, the Soviet Union wanted to organize future trade on “mutually profitable bases”.<sup>59</sup> To put it another way, the Soviet Union wanted to pay more attention to its own profit in trade inside Comecon.

56 V. Shapovalov, A. Shul’man: Otchet o rabote Postoyannoi Komissii SEV po ekonomicheskim voprosam za 1967 g. i 1. polugodie 1968 g. i soobrazheniya o napravleniyakh i plane dal’neishei raboty Komissii v 1969–1971 (1968) gg., GARF, f. R-5446, op. 102, d. 1259, p. 59–70, p. 68.

57 N. Oznobin, Pis’mo k chленu kollegii gosplana SSSR Nachal’niku otdela vneshnei trgovli tov. Gusevu M.M. (1963), RGAE f. 99, op. 1. d. 111, p. 41.

58 D.T. Shepilov, Voprosy mezhdunarodnogo polozheniya i vneshnei politiki Sovetskogo Soyuz (1957), in: A.A. Fursenko (Ed.), Prezidium CK KPSS, tom 2, pp. 542–574, p. 551.

59 TsK KPSS, Protokol No. 96. Zasedaniye 8 maya 1963 g vo vremya obeda (1963), in: A.A. Fursenko (Ed.), Prezidium CK KPSS, tom 1, p. 717.

Surely, the Soviet trade policy did not change immediately; nevertheless, in its strategy papers the Soviet Union tried to find a new direction in the organization of Comecon trade. Perceiving itself as the centre of socialist politics, it wished to organize the Comecon trade with the aid of bilateral long-term contracts. Long-term contracts would serve as a kind of instrument that would allow the Soviet Union to interfere directly in the plans of the people's republics.<sup>60</sup> Thus, unsurprisingly, the inner-Comecon trade system grew even more centralized after 1963.

The idea of a common scientific basis receded and was replaced by a stronger sense of self-interest. Occasionally one can find hints of a revision inside the Soviet Union before the reorganization of Soviet policy in the mid-1960s. In 1961, for example, one of the experts in the Economic Research Institute of Gosplan wrote that some of his colleagues are too single-minded, thinking about efficiency in foreign socialist trade from an internationalist viewpoint only, as if the sole question of national efficiency could be reduced to commercialism.<sup>61</sup> As with every economic sector in socialist partnerships, there were simply two different schools of thought:<sup>62</sup> one more market oriented and the other closer to the communist ideology.

The new policy direction in Comecon was an early indication of the policy changes that led to the Kosygin reform of 1965. Efficiency was the centrepiece of foreign economic policies at the time and was a precursor to the adoption of the Kosygin reform of material incentives. Yet, it did not lead to any major attempts to fundamentally reform Comecon. The Soviet Union was from now on satisfied with small adjustments to its advantage in the existing system. The USSR began to think about import effectiveness (that is, what brought in more roubles than what they cost) and what was not.<sup>63</sup> They, therefore, became highly interested in increasing the quality of specialized goods in the people's republics. The pressure to enhance their quality and technological level in relation to the other Comecon members progressively rose in this area. While Khrushchev was still willing to guarantee the maintenance of existing cooperatives once they would begin to purchase goods,<sup>64</sup> the drafts during the early Brezhnev years present another tone. Internally, the Soviet Union even began to consider the cancelling of contracts if the specialized products did not match world standards,<sup>65</sup> or to let the contract breaker be responsible for the monetary consequences for failing to deliver.<sup>66</sup> The reflections of

60 O. Rybakov, *Koordinatsiya narodnokhozyaystvennykh planov stran-chlenov SEV na sovremennom etape (1971–1975)* (1970), RGAE f. 99, op. 1, d. 932, p. 42.

61 O.T. Bogomolov, *Nauchnyi Otchet po teme „Metody opredeleniya ekonomicheskoi effektivnosti proizvodstva na osnove mehdunarodnogo soctsalisticheskogo razdeleniya truda (1961)“*, RGAE, f. 99, op. 2, d. 579.

62 M. Lipkin, *Sovetskii Soyuz i evropeiskaya integraciya*, pp. 292–293.

63 P. Sel'dyakov, *Pis'mo k zamestitelyu Ministra tovarishchu Kuzminu M.R.*, 1965, RGAE f. 413 op. 31 d. 869, p. 93–99, at 96–97.

64 N.S. Khrushchev, *Zapiska Pervogo sekretarya TSK KPSS, predsedatelya Soveta Ministrov SSSR N.Ts. Khrushcheva „O nekotorykh voprosov ekonomicheskogo sotrudnichestva s Chekhoslovakiei“*, in: A.A. Fursenko (ed.), *Prezidium CK KPSS*, tom 3, 729–735, p. 733.

65 P. Sel'dyakov, *Pis'mo*, pp. 100–101.

66 P. Sel'dyakov, *Pis'mo k zamestitelyu Ministra tovarishchu Zorinu L.M.* (1965), RGAE f. 413 Op. 31 D. 1471, pp. 150–151.

the Soviet Union went so far as to incorporate quality criteria into the system of price formation.<sup>67</sup> Price thus would have become the central interest to producer countries specializing in high-quality goods and products in short supply. This change happened against the backdrop of the discovery of new resources in Siberia and the resulting explosion in investments, which made trade even more unprofitable for the USSR. The Soviet Union was no longer willing to pay for raw materials alone and was determined to divide the costs among the other Comecon member states. It wanted to lower its investment costs in order to lower the burden for its own economy.

This demonstrates that the treatment of the people's republics as component suppliers through the Soviet Union in the 1960s should also be understood as an opportunity to lower its own investments. For example, the Soviet Union included deliveries of components in its planning for the Volzhskii car plant. The problem is that such observations on efficiency were very locally limited to the factory or branch ministry.<sup>68</sup> From a broader view, as from that of Gosplan, it was much more important that such cooperative efforts would not cause higher exports of resources in the people's republics.<sup>69</sup> Another risk of this type of specialization was that if the provider states could not deliver on time, the whole production line of the company had to stop. This was already a serious challenge to specialization in only one country,<sup>70</sup> but it was even more risky if there was no state power to intervene or to punish for delivery failures. This again showed what role the disturbing absence of a controlling entity played in socialist international relations.

## 9. New Ideas in Old Patterns: Socialist Integration

In short, one might say that the Soviet conception of Comecon changed from a strong multilateralism to a centralist economic policy with a focus on bilaterally controlled economic policy. This policy was strongly influenced by principles of profitability. This redirection in principles laid the foundation for a new period in Comecon history: the period of socialist integration. The phrase appears at the end of the 1960s; socialist integration became the bureaucratic framework for Comecon within the second, broader Comecon reform paper called "The Comprehensive Program for Socialist Economic Integration".

67 Problemy dal'neishego uglubleniya mezhdunarodnogo sotsialisticheskogo razdeleniya truda i usovershenstvovaniya koordinatsii narodnokhozyaystvennykh planov sotsialisticheskikh stran (1966), RGAE, f. 99. op. 1. d. 663, pp. 3–32, at p. 22a.

68 O koordinatsii Postavkakh iz stran-chlenov SEV uzlov i detalei dlya proizvodstva v SSSR legkovykh avtomobiley Volzhskogo zavoda (Poruchenije zamestitelya predstavatelya Soveta Ministrov SSSR tov. Novikova V.N. ot 7. yanvarya 1967 g.) (1967), GARF, f. 4372, op. 66, d. 1693, pp. 43–44.

69 Ibid.

70 The Soviet Union itself had problems with supply of semi-finished goods: Ya. Yakovlev.: Spravka o sostoyanii i merakh po uluchsheniyu vypolneniya plana kooperirovaniya postavok / po itogam raboty za 1 kvartal 1966 g., RGAE F 398, Op. 1, D. 468, p. 84.

The main change was to introduce a so-called joint planning of collective projects as a “new” form of cooperation. These were the aforementioned new projects of raw material exploitation, which were partly financed through credits paid by the other Comecon member states (a type of cooperation that had been common practice inside Comecon for a long time; as early as in 1958, for example, Comecon decided to jointly built the Druzhba oil pipeline). Through the Comprehensive Program, the Soviet Union mainly achieved the easing of its investment burden in raw materials, rather than inventing new socialist trade patterns. The Comecon elite still spoke about reaching a new level of multilateral cooperation, but its implementation took the shape of formerly accepted common Comecon trade patterns.<sup>71</sup>

The Comprehensive Program is the best evidence that the Soviet Union stopped trying to find new ways to organize the socialist trade and, instead, tried to introduce patterns to its own advantage. For example, the reform of the above-mentioned “Bucharest Principle” concerning pricing was such an effort. After the oil price crisis in 1973, the Soviet Union enforced a modification of the “Bucharest Principle”. From 1975 onwards, prices were set up every year, but fixed as before on the basis of an five-year average of the world foreign trade prices (the “Moscow Principle”), which increased the prices up to 32 per cent, with a clear benefit for the Soviet Union.<sup>72</sup> Its implementation represents the acceptance by the Soviet Union of its conception of Comecon, signalling the Soviet abandonment of finding a unique socialist organization of international economic relationships.

However, it should be mentioned, that one can find practical approaches to deepening cooperation at this time outside of the official Comecon organs. One example would be industry organizations such as “Intermetall”.<sup>73</sup>

Yet, with all these obstacles to Comecon cooperation, the high standard of cooperation the people’s republics reached despite the problems of socialist trade was impressive. Despite the negative picture presented here, one should not forget that notwithstanding the critical problems in developing their own economic systems, the standing commissions of Comecon began work on specialization. By the 1960s, they made countless recommendations regarding specialization. Specialization proposals, in which all sides were interested, had realistic chances to be implemented, as is evidenced by many specialized industries all over Eastern Europe. This demonstrates a high political motive to cooperate, which arose from the success of the West European integration. Unfortunately, it did not provide any guarantee for reducing costs or increasing technical and quality standards as was always implied in the principles of international socialist division of labour.

71 O.N. Shirokov, *SEV v mirovoi ekonomike*, p. 62; R.W. Stone, *Satellites and commissars*, pp. 138-139.

72 M. Lavigne, *The Soviet Union inside Comecon*, in: *Soviet Studies XXXV* (1983), pp. 135–153, pp. 136-137.

73 A. Zwass, *Der Rat für Gegenseitige Wirtschaftshilfe 1949 bis 1987*, Wien 1988, p 36.

## 10. Conclusion

One can say that the Soviet Union failed to organize a socialist economic system due to the contradictions inside its own ideology. The strong influence on the future Comecon countries in the last years of the Stalin era prevented the Soviet Union from elaborating an organizational concept or structure for socialist cooperation inside Comecon. Instead, the Soviet Union began to develop a Stalinist trading pattern with the new people's republics – a pattern born out of the needs of the time. Only after Stalin's death was there an understanding within the USSR that cooperation within Comecon had to be structured and coordinated in order to accelerate the development of the whole region by synergistic effects. The Soviet Union intended to ground such coordination on scientifically based decisions, which should have reflected Comecon-wide considerations instead of national concerns. The Soviet conception of Comecon during Khrushchev's time therefore comprised, to some extent, a supranational idea of a socialist system. However, the Soviet conception had two weak points. First, planning in socialist economies was not scientifically based but instead strongly influenced by ideological or political decisions. Five-year plans never met their scientific standards on a national or international level.<sup>74</sup> Therefore, economic planning simply failed to provide the basis for such an altruistic ideal. These structures made it impossible to analyse the socialist division of labour and to decide, what was efficient and what not.

Second, firm party discipline vanished quickly after Stalin's death, which Khrushchev had to realize on many occasions. Even if a scientific basis for communism would have been possible, the member states were never ready to abandon their self-interest in the way the Soviet conception suggested. Its supranational ideas led the Soviet Union to a dead end, which also led to a rethinking of Comecon relationships. By distancing itself from supranational concepts, the Soviet Union began to focus on the effectiveness of trade relations inside Comecon. Ideas for Comecon trade began to be characterized by efficiency. However, the Soviet Union also experienced complications in determining effectiveness, as it was interpreted differently on different levels. A strict implementation of such a policy was impossible as the other Comecon member states were too unstable to bear pressure from the Soviet Union. Therefore, the Soviet Union became trapped in this trade pattern that evolved in the first few years after the Second World War.

The Soviet failure to deliver a proper international socialist trade system, which could have been an alternative to the Western trade system, weakened the USSR's position in Comecon trade negotiations and made it possible for the other member states to exploit the situation. The ideological superstructure produced many economically interdependent problems, which kept the Soviet Union in a very conservative position despite it being unfavourable. At the core of this issue was the responsibility of the Soviet Union, as the leader of the camp, to guarantee the success of Comecon. The Soviet Union had

74 V. Vasiliev, *Failings of the Sovnarkhoz reform. The Ukrainian experience*, in: J. Smith and M. Ilić (eds.), *Khrushchev in the Kremlin*, pp. 112–132., at p. 117.

to develop the trade with the other Comecon members in order to show the success of the socialist system, even if it was not backed up by any economic rationale. For the same reason, it also had to sell raw materials to them and to guarantee the stability of the regimes.

Soviet ideas of Comecon policy mainly followed ideas and reforms in its domestic economy. Ideas surrounding both Khrushchev's attempted Sovnarkhoz-reform and the Kosygin reform can be found in the Soviet conceptions of Comecon as well. Consequently, they suffered similar shortcomings and failed to overcome the major economic problems of a socialist planned economy. As for Soviet domestic policy, the Brezhnev era lacked great ideas on how to rebuild the economy. In fact, after the rethinking that led to the Comprehensive Program, there was no noticeable change in the conception of Comecon until Gorbachev came to power in 1985. This did not stop the Soviet Union from attempting several new reforms in Comecon; however, until Perestroika there was no new real attempt to reorganize socialist economic cooperation.