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ORGANIZATION, ACTIVITIES, AND RELATED MATTERS
REGARDING THE COUNCIL FOR ECONOMIC
MUTUAL ASSISTANCE DURING 1957
AND EARLY 1958

CLANDESTINE SERVICES SPECIAL REPORT

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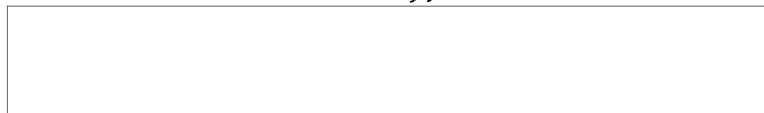
CENTRAL INTELLIGENCE AGENCY

ORGANIZATION, ACTIVITIES, AND RELATED MATTERS

REGARDING THE COUNCIL FOR ECONOMIC

MUTUAL ASSISTANCE DURING 1957

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ORGANIZATION, ACTIVITIES, AND RELATED MATTERS
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THE OBJECTIVES OF CEMA

1. The Council for Economic Mutual Assistance (CEMA) (Sovet Ekonomicheskoy Vzaipomoshchi) is an organization of which the following eight states are members: the USSR, Poland, East Germany, Hungary, Rumania, Czechoslovakia, Albania, and Bulgaria. There are official and unofficial purposes which CEMA is to implement. The official purpose of CEMA is to facilitate economic coordination among the member countries; to make the member countries' economic efforts more productive by eliminating wasteful competition and by centrally planning the overall effort of the Soviet-Satellite economic bloc toward the ultimate goal, which is to outproduce and economically replace the capitalist countries. The unofficial function of CEMA is political. Future planning indicates that a strong effort is being made to strip the individual countries of their national economic independence and to make them dependent on the other member countries. A typical example of this objective is the recent emphasis on restricting the specialization of certain industries to those countries best qualified to develop and produce this specialty. For example, East Germany (DDR) has been designated as the CEMA member country which is best suited to develop the chemical industry, so other member countries will be prevented from investing in the field of chemistry. Thus, the Polish chemical industry will suffer because its future development will be restricted. Poland, therefore, will be dependent on the DDR for its supply of chemical products. The specialization policy and similar CEMA policies create an economic situation which makes the Satellites completely dependent upon one another and on the Soviet Union. Naturally, this interdependency of bloc countries will discourage future attempts at political fractionization and will aid in keeping the bloc together as a harmonious political, economic, and military unit.

THE ORGANIZATION OF CEMAThe Plenary Session

2. The highest authority and the directing body of CEMA is the Council Plenum, which meets at least once a year. Eight such plenary sessions already have taken place and the ninth plenary session is scheduled for 15 April 1958, most likely in Bucharest. 25X1

The plenary session is

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a meeting of the chairmen of the State planning committees of the eight CEMA countries, conferring together with their respective staffs. Each State planning committee chairman has a minimum of one advisor, and a staff of from five to ten persons. Important questions which must be discussed in closed circles are taken up at sessions where only the principles, plus one or two advisors each, are present. The Council Plenum is called into session by the Secretariat of the Council after coordination with the CEMA country deputies and with the offices of the CEMA standing committees.

3. The plenary session of the Council provides general policy guidelines, or directives. These guidelines are contained in the protocol of the plenary session. Every standing committee receives a copy of this protocol, and since there are guidelines for each committee in the protocol, this constitutes a direct means of guidance from the Council to the standing committees. Directives are issued outlining the functions and activities of the CEMA Secretariat and instructions are given to the deputies of the CEMA countries authorizing them to supervise and coordinate the policy decisions made by the plenary session. The subordinate organs of CEMA are the Secretariat, the deputies, and the standing committees, which must comply with the policy directives and instructions issued at the plenary session. However, among the subordinate organs it is not entirely clear as to which body is responsible for directing the activities of the others, and serious jurisdictional disputes have arisen.
4. Typical of the substantive matters discussed at the plenary session is the problem of specialization and development of specialized industries in the respective CEMA member countries. Each country has been designated to pursue its own specialization in those industrial branches which it is most qualified to develop. For example, the CSR was instructed to develop its machine construction industry; the DDR was designated to develop the chemical industry; and Rumania was instructed to develop the petroleum and gas industry. At each plenary session the extent of compliance with the decisions of the previous plenary session is discussed.
5. Insofar as the member countries themselves are concerned, the decisions of the plenary session have the legal status only of recommendations. One problem thus far has been a tendency to disregard principles laid down in the plenary session of the Council

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and failure to take them into consideration in drafting national economic plans or in carrying on trade. There have been many instances of noncompliance with the decisions of the plenary session by various individual countries. For example, the DDR promised to deliver to the CSR a certain type and quantity of production in the field of machine construction. On the basis of this DDR promise of delivery, the CSR stopped the production of a particular type of machine tools. When the DDR failed to produce the promised goods, the CSR had to initiate a new program of industrial investment to produce the required machine construction equipment. As a result, the CSR has suffered losses both in time and money. The CSR representative in CEMA has made a complaint in Moscow concerning the DDR's failure to fulfill its obligations. Another such complaint was made by the Poles when the CSR failed to deliver certain items of military production. A similar complaint resulted when the DDR failed to deliver a large quantity of canned foods to Bulgaria. Another example of lack of cooperation among CEMA countries occurred when [redacted] expressed an interest in buying certain machinery from the Soviet bloc. The CSR, the DDR, and Poland were actually underbidding each other in order to clinch the deal.

6. The following topics will be discussed at the plenary session of April 1958:
 - a. Coordination of long-range plans.
 - b. Coordination of specialized industries, i.e., decisions as to which country is to specialize in a particular field of production.
 - c. Participation of the Standing Committee for Foreign Trade in the coordination of long-range plans. Every standing committee is obliged to present a report concerning its particular endeavor for the present year and the coming year. Now they are also obliged to present a report in which the long-range planning activities of standing committees are indicated. The Standing Committee for Foreign Trade has neglected to pay attention to long-range planning. An effort will be made at the plenary session to correct this deficiency.

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- d. Discussions concerning the Soviet proposal to make CEMA decisions a matter of law in the member countries. N. M. Siluyanov stated that the proposals for the agenda of the Ninth CEMA Plenary Session, in April 1958, are now being discussed in the CC/CPSU and will be submitted to the Soviet staff of the USSR Deputy for presentation at the plenary session [redacted]

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Ad Hoc Meetings of the Country Representatives

7. In addition to the annual plenary sessions there also are less formal, ad hoc meetings of the CEMA representatives, i.e., the chairmen of the State planning committees. These meetings concern themselves with partial questions or more detailed questions that could not be clarified in the general framework determined by the plenary session and which must still be clarified individually. These meetings also concern themselves with matters which may have come up in the standing committees which are beyond the competence of the standing committees, or concerning which no agreement could be reached. The meetings also frequently discuss problems concerning the creation of new committees, or the determination of tasks to be performed by newly created committees. This group has executive power and can make decisions.

Deputies of the CEMA Representatives

8. Since the chairmen of the State planning committees cannot remain in Moscow and must return to their own countries, each appoints a deputy who becomes the permanent delegate from his country at the CEMA headquarters in Moscow. [The statute for the deputies is given in Annex No. 1, page 51.] The present deputies are as follows:

USSR	- N. M. Siluyanov
Poland	- W. Slusarczyk
East Germany	- K. Opitz
Hungary	- D. Osztrovszky
Rumania	- Gheorghe Cioara
Czechoslovakia	- V. Balaban
Albania	- Spaciu Ruka [sic, possibly Shahin Ruka]
Bulgaria	- W. T. Belomyshv

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9. Each of the deputies has a staff consisting of a few advisors, secretaries, and interpreters. The size of these staffs ranges from six to ten people. This staff serves as the country secretariat or permanent representation of the member country at CEMA headquarters in Moscow. The individual deputies are responsible to the country representatives (chairmen of the State planning committees) who appointed them. It is the country representatives themselves who are responsible to the other plenary session members for matters concerning CEMA decisions. They attempt to carry out these decisions by giving appropriate directives to their deputies.
10. The deputies of the CEMA countries meet in conference once a week. Sometimes, when there are urgent questions, they meet twice or three times a week. These conferences are presided over by a chairman, who maintains his chairmanship for three months, after which time the next deputy who follows in alphabetical order becomes chairman. In the deputy conferences, as well as in conferences held by the Secretariat and standing committees, the Soviets usually carry the most weight and are generally considered by the other members to be the guiding power.
11. In these conferences the deputies make decisions and work out specific proposals for accomplishing the general objectives established by decisions of the plenary session of the Council. Decisions made during the weekly conferences usually begin with a resolution presented by a member country. The resolution is then discussed and must be accepted unanimously before it can become a deputies' decision. Before such a resolution is accepted by the individual deputies, they discuss the merits of the resolution with their advisors, who frequently obtain a reaction and opinion from the State planning committee of their country. Prior approval of the respective State planning committees is not required, however, before a resolution can become a deputies' decision. At the end of the deputies' conference, a protocol is drawn up and is signed by all of the CEMA deputies. Enough copies are made so that each deputy can send one to the chairman of his State planning committee. The State planning committees then keep the decision in mind when planning for their national economy.
12. At their conferences, the deputies also deal with problems arising in the field of jurisdiction of one or more of the standing committees. Such discussions may involve establishing or clarifying the statute of one of the standing committees, or investigation and clarification of a dispute. CEMA country deputies have no

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executive power with regard to the standing committees. They cannot issue orders to them. However, they do play a role of coordinator when problems arise in the standing committees.

13. When points of dispute arise which the standing committees cannot resolve themselves, the committee concerned will inform the CEMA Secretariat. The CEMA Secretariat informs the deputies. The matter is then discussed and clarified by the deputies. Each deputy reports the resulting suggestions, expresses opinions, and gives advice to the chairman of the State planning committee of his own country. In some cases this also may involve consultation with the minister of his government responsible for the matter under discussion. The chairman of the State planning committee may instruct the deputy to adhere to, or to revise, positions previously taken in discussion of the problem. When the matter is sufficiently clarified, the final decision will be made by the representatives of the CEMA countries, who will inform the CEMA Secretariat. The CEMA Secretariat will then direct the decision to the standing committee or committees concerned and also will inform the deputies.
14. In many cases disputes within the secretariats of the standing committees are not handled in the way just described. The country representative in the secretariat of the standing committee may refer the matter directly to the minister in his country responsible for the matter under discussion. The minister may then settle the dispute at the next meeting of the standing committee, or he may refer it to the chairman of the State planning committee of his country for decision. If the chairman of the State planning committee cannot settle the matter himself, he may take it up at the next plenary session or at the next meeting of the representatives of the CEMA countries. If this direct approach is used, from the secretariat of the standing committee to the minister, the minister, or the chairman of the State planning committee, may decide to consult the deputy and to ask his opinion. However, the opinion of the deputies is purely advisory, not binding.
15. In the deputy conferences, the Polish delegation tries to advance its own national interests. Sometimes the conferences become very heated discussions when the Polish national interest is being disregarded. The Polish deputy has held up meetings for hours because he did not wish to give in on any point which was regarded as detrimental to his government's interest. He receives very detailed guidance from the Polish State Planning Committee and is eager to comply with his country's policy directives when representing his country in the sessions of CEMA deputies in Moscow. Decisions of the deputies' conferences must be based on unanimity.

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If there is not unanimity among the deputies, the conference is stalemated because of a veto by one of its members. Then the vetoing member is asked to confer again with his own country, i.e., his own State planning committee, and the subject matter is again taken up at the next conference session. Usually a compromise is made because the vetoing country has either received new instructions from its State planning committee or the other deputies are willing to compromise in their demands.

16. The CSR deputy on occasion expresses his national interest and takes issue with some of the Soviet proposals. More frequently, however, the CSR deputy sides with the Soviet representatives and agrees with their proposals. The DDR delegation usually supports the Soviet delegation to put proposals across. There is considerable cooperation between the Hungarian and DDR deputies, not only in the conferences of the CEMA country deputies, but also in the sessions of the standing committees. During conferences they present a unified stand and sometimes influence the Polish deputy to support them. The Albanian representative is not taken very seriously. He usually agrees with the Soviet proposals and plays only a minor role during these meetings. The Albanians are usually treated like immature little brothers whom one must take by the hand and guide along carefully. They have certain privileges not shared by some of the other countries. For instance, the Albanians do not need a Soviet visa. They simply travel with their own passport to Moscow without having to go through the formalities of requesting USSR or other Satellite visas. The Bulgarian deputy frequently tries to advocate his own country's national interest and is occasionally successful.

The CEMA Secretariat

17. The Secretariat of CEMA, headed by A. A. Pavlov, currently has a T/O of 71 persons. [cf. Annex No. 2, page 55 for a breakdown of the T/O.] These staff members include, among others, deputies to Pavlov, clerks, and secretaries. In addition, there are advisors for the subjects covered by the standing committees. Because of new tasks that have been written in the working plans, the Secretariat has proposed that its T/O be increased from 71 to 108. The increase was proposed without concurrence by the State planning committees, but the State planning committees have been informed and thus far have neither objected nor made additional suggestions. The Secretariat meets at least once a week, or more often when necessary, to perform its duties. The Secretariat has at its disposal a ruble fund to which all member countries contribute. Every country pays a set share into this fund, which is converted into rubles, because the workers of the Secretariat are paid in rubles. The amount contributed by the individual countries is not known. The workers of the Secretariat of the Council are well paid, and they are the highest paid

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CEMA employees. The workers of the secretariats of the countries are paid by their own State planning committees. The standing committees also have funds for the payment of the responsible secretary of the committee and the workers of the secretariat of the committee. The individual countries contribute to this fund. The workers of the committee secretariat are then paid in the currency of the country in which the committee has its seat.

18. The Secretariat, according to its statute, [cf. Annex No. 3, page 58] carries out work that is designed to secure the most effective activity of CEMA. In carrying out this responsibility, the Secretariat performs the following duties: prepares basic materials for plenary and deputy sessions; insures the preparation of basic materials required for analysis of the most important economic problems; participates in the preparation of basic materials concerning the coordination of plans for the major interrelated branches of the national economies of the participating countries; organizes special meetings to deal with matters which are not under the jurisdiction of standing committees and which touch on the interests of a number of member countries; receives from and distributes to CEMA organs those basic materials on economic plans that are necessary for CEMA work; presents surveys of the economies of the participating countries and statistical bulletins on plan fulfillments; oversees the work of standing committees and renders any necessary help; prepares comprehensive working plans of CEMA organs on the basis of their decisions and submits them to the deputies' meetings for discussions; disseminates to the deputies' meetings for confirmation the most important questions of the working plans of the Secretariat; presents to CEMA organs the most important questions brought out in international economic organizations; and informs the public via press releases on results of collaboration and mutual assistance of the participating countries of CEMA.
19. Thus, the Secretariat attempts to guide and coordinate the activities of CEMA organs subordinate to the Council Plenum. However, its relationship to the deputies and to the standing committees is not entirely clear-cut. Both the deputies and the Secretariat appear to have some of the same functions with respect to the standing committees. Both bodies claim to be the one charged with giving guidance and direction to the work of the committees and with coordination of that work. In actuality the degree to which either organ performs the function varies with the problem. The Soviet view, quite correctly, has been that it is difficult for either the Secretariat or the deputies to give real direction to the committees because the committees are composed of high functionaries. The committees are made up of ministers, State secretaries, or

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division chiefs. Some of the delegates to the committees are Party presidium members. Moreover, the secretariats of the standing committees have real technicians, real experts. Therefore, the most that either the CEMA Secretariat or the deputies can hope to do is to perform a supporting and coordinating role.

20. In this role the Secretariat polls the various committees concerning the nature of their plans for work and registers the questions to be discussed. Naturally there are questions which can be solved only by the cooperative efforts of more than one standing committee. For example, problems pertaining to the production of certain types of machines may involve the Standing Committee for Machine Construction and the Standing Committee for the Petroleum and Gas Industry, as that industry may be the customer. The Secretariat registers the views of the committees and forwards them to the deputies, who look them over, send them home to the appropriate ministers in their governments, and then at the next conference of the deputies make recommendations concerning what could be done better.
21. A. A. Pavlov, the chairman of the Secretariat (Secretary of the Council) is supposed to guide the work of the Secretariat and represent CEMA at official functions, not only of Soviet Bloc states but also those of Western countries. It is believed that he was appointed by, and receives instructions from, GOSPLAN. Pavlov has been in this position for the past three years. He is a Soviet and the official senior representative of CEMA to other international organizations. Since December 1957 he has been ill and out of the office. He has two deputies, a Pole and a Czech; his duties are being carried out by one of his two deputies, G. I. Rozanski, a Pole. Rozanski has been in the Secretariat the longest and exerts a certain influence which limits the effectiveness of Pavlov.

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Standing Committees

22. The standing committees are the most important working bodies of CEMA. It is in these committees that the details of planning and technical coordination are worked out. More people are engaged

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in that work than in any other activity of the organization. The technical competence of the standing committees exceeds that of the Secretariat, the deputies, or of the country representatives, for it is at this level that the specialists work on detailed problems. The committees are composed of ministers, or, in the case of less important committees, of State secretaries or chief directorate chiefs, who meet once or twice a year to deal with specific, technical problems in their own areas of responsibility. Each minister serving on a committee informs the State planning committee of his own country concerning questions on which he regards reporting to be necessary. Such reporting may go through the deputy and the country secretariat, but it may also go direct. Sometimes the reporting goes both ways. The competence and prestige of the committee members, and this direct reporting, makes it difficult for the deputies, who are below the ministerial level, to coordinate and guide the work of the standing committees.

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23. These committees constitute a direct link between ministries in the member countries and CEMA. The Bulgarian Ministry of Agriculture, for example, may not address itself directly to the Council Plenum. By working through the appropriate standing committee, however, it may have its problems considered by the Council. There are currently thirteen standing committees of CEMA located in various capitals of the Soviet bloc. Each of these standing committees is composed for all CEMA countries of specialists from the respective ministries responsible for the particular specialization. The following is a list of the thirteen standing committees of CEMA:

- a. Standing Committee for Power, located in Budapest.
- b. Standing Committee for the Coal Industry, located in Warsaw.
- c. Standing Committee for the Petroleum and Gas Industry, located in Bucharest.
- d. Standing Committee for Ferrous Metallurgy, location unknown.
- e. Standing Committee for Non-Ferrous Metallurgy, location unknown.
- f. Standing Committee for Geology, located in Moscow.
- g. Standing Committee for Chemistry, located in Berlin.
- h. Standing Committee for Machine Construction, located in Prague. The chairman is Polacek, the CSR Minister of Machine Construction.

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- i. Standing Committee for Defense Industry, located in Moscow.
 - j. Standing Committee for Timber and Cellulose Industry, location unknown.
 - k. Standing Committee for Agriculture, located in Sofia, provisionally headed by the Bulgarian Minister of Agriculture, Ivan Primov.
 - l. Standing Committee for Foreign Trade, located in Moscow. The chairman is the Soviet Minister of Foreign Trade, Kabanov. The responsible secretary is a Soviet, Afanasyev.
 - m. Standing Committee for the Delivery of Complete Plant Units, located in Moscow.
24. The Standing Committee for Foreign Trade concerns itself with the other committees whenever foreign trade enters the picture, either with capitalist countries or with other bloc countries. All trade, therefore, is coordinated in this committee. The other standing committees coordinate with this committee. For example, the Standing Committee for Delivery of Complete Plant Units advises the secretariat of the Standing Committee for Foreign Trade what type of business it proposes, where it will deliver, etc. At present, the Standing Committee for Foreign Trade is being pushed to come up with its long-range plans, which thus far, it has refused to undertake because the other committees have not advised it of their long-range plans, which it needs before it can make its own plans. The Standing Committee for Delivery of Complete Plant Units concerns itself exclusively with Soviet bloc trade with the West, where complete factory installations are involved. It also handles the delivery of industrial productive units to the underdeveloped countries

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An effort is now being made to expand the function of this standing committee to include the trade of such industrial unit deliveries among the Satellite countries.

25. In addition to the thirteen standing committees, there are plans for two additional ones. In the formation of a new committee, all nations must agree that it has a justified purpose. This has already occurred with the construction field, and a new Standing Committee for Construction is to be formed soon. A new committee is also being considered in the field of transportation. There is a working group for transport questions which is the predecessor of a Standing Committee for Transport, but thus far there is no Standing Committee for Transport. The working group for transport questions governs questions concerning the guaranteeing of the forwarding of export goods, import goods, and transit goods. The group is concerned with rail and river

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traffic; air traffic is of no concern because there is too little of it. The Council for the International Cooperation of Railroads works with the working group in certain questions, and has drawn up a protocol making suggestions on reciprocal cooperation. The protocol was signed provisionally and subsequently turned over to the deputies of CEMA for further discussion. It is planned that the working group will be converted into a standing committee but the subject is still under discussion. The working group has its seat in Warsaw and it is expected that the standing committee will also be in Warsaw.

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26. The difference between a working group and a standing committee is that every committee has a statute which governs its activities. All members must agree to the statute before it is accepted. However, a committee may exist for some time before an acceptable statute is worked out. A working group has no statute in this sense. It has less competence, i.e., fewer rights than a committee, since the chairman of a working group does not have to be a minister, but may be a State secretary or a chief of a chief directorate. The character of the questions handled is much the same, but the approach to the problems and the decisions and solution of questions are different.
27. Standing committees meet once or twice a year, and usually meetings take place in the city in which the respective standing committee has its headquarters. The headquarters location is usually chosen on the basis of the country most specialized and developed in the particular activity of the respective standing committee. Therefore, the chairman of a standing committee is usually the minister of the particular industrial branch of the country in which the headquarters is located When a conference of a standing committee is called, the participants are usually the ministers or deputy ministers of the respective industrial branch of the CEMA member countries. These ministers usually bring along staffs of experts from their ministries. Usually a standing committee meeting involves a great many persons. For example, the last meeting of the Standing Committee for Coal Industry was attended by about sixty persons. For less important questions, such as wood and cellulose, the standing committee may consist of chiefs of chief directorates or a comparable echelon.
28. At standing committee sessions, each country presents its own long-range plan and these plans are then coordinated with the other member countries' similar plans. One of the primary considerations in the coordination of the long-range plans is the inspection of each individual country's needs for home consumption and how such needs can be covered by the total production of the Soviet bloc in the industrial branch concerned. When the total

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production cannot meet the home consumption of the individual countries, an effort is made to decrease the home consumption by placing quotas on the individual countries. It is a frequent occurrence among CEMA member countries that their own national production is not self-sufficient but dependent on the production of other CEMA member countries. This situation has to a large degree been the result of conscious planning in order to make these countries politically dependent on one another as a result of their economic interdependence. For instance, the DDR is not able to cover its own consumption of grain and therefore has to make certain that this grain deficit is being planned in advance by some other CEMA country which will supply the DDR with the grain required for its consumption.

29. The standing committees may create working groups, expert groups, sections, and sub-sections which meet to work on problems for the standing committees. Personnel are drawn from ministries in the various countries on an ad hoc basis. Each standing committee has its own secretariat, usually consisting of a staff of six or seven persons who constitute the permanent staff of the standing committee. A responsible secretary supervises the daily work of each secretariat. The permanent staff members of the secretariat are usually advisors from the respective ministries of the CEMA member countries and each advisor is responsible to the ministry which employs him. The secretariats of the standing committees insure that the individual countries remain in contact during the entire year, since each country usually has a representative in the secretariat of each standing committee of which it is a member. If a question is to be clarified, it can be done through these secretariats on a year-around basis. The secretariat also makes preparations for the conferences of the standing committee, conferences of working groups, sections, sub-sections, and experts. The secretariat on the one hand performs administrative duties and on the other is obligated to try to clear up questions of concern to the committee. For example, if there is a point of disagreement between Hungary and Poland, the countries will turn to their representatives in the secretariat of the standing committee, who will attempt to bring the conflicting positions into agreement. The results are then reported back to their own countries. Such questions might arise in the working groups, the expert groups, or in foreign trade organizations of the countries. Disagreements would not be referred to the advisor in the Secretariat of CEMA who is concerned with questions related to the committee. He is concerned with maintaining contact between the Secretariat of CEMA and the standing committee, not with settling local disputes.

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30. The secretariats of the standing committees can make decisions where there is no disagreement. Principal questions must be decided by the standing committee. If there is any disagreement among the members of the standing committee secretariat, then the responsible secretary of the standing committee must refer the matter to the standing committee. The sessions of the standing committees are plenary sessions on a smaller scale, limited to the specialized sector of the economy concerned.
31. Once or twice a year Pavlov calls a meeting of the responsible secretaries of the secretariats of the standing committees. The chair is held by Pavlov or one of his deputies. At these meetings problems are discussed which could touch on several committees. For example, the Standing Committee for Geology tells the Standing Committee for Machine Construction whether it has included in its working plan the machine requirements for the Standing Committee for Geology. If this is not the case, there is a heated discussion in which each side will try to present its point of view. This meeting is called "meeting of the responsible secretaries of the standing committees". This meeting has a coordinating function. It merely gives advice. Then the CEMA Secretariat also makes proposals. It asks the members whether a certain matter could not be accomplished in one way or the other, and the members of the meeting either agree or not. The responsible secretaries of the standing committees are independent from the CEMA Secretariat and the office of the deputies. They are responsible only to their own standing committees, but they consider the advice of the CEMA Secretariat and of the deputies and then make up their own minds.
32. Country representatives in the secretariats of the standing committees are not subordinate to country secretariats (staffs of deputies) of the countries from which they come. The members of the secretariat of a standing committee are responsible to the responsible secretary of the committee, to the chairman of the committee, and to the national ministries which delegated them to the standing committee. For example, in Moscow there is the CEMA Secretariat. There is also a country secretariat for each country; these are the office staffs of the deputies. There also are several standing committees which have their seats there and which have secretariats. The country secretariat can give no direction to fellow nationals assigned to the CEMA Secretariat or to the secretariats of the various standing committees. It is the function of each country secretariat to maintain contact between the CEMA Secretariat and the chairman of its own State planning committee, who is at the same time the country representative to CEMA.

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33. Each country representative in a secretariat of a standing committee is responsible to the responsible secretary of the secretariat of the standing committee, and also to the chairman of the standing committee, but his first responsibility is to his own country, consequently to the minister of his country who is his country's representative on the standing committee. The minister can give him directions as to how he shall represent his country. The responsible secretary of the secretariat of a standing committee cannot give orders to the country representative. He can only hold him responsible for working in such a manner as is necessary for explaining certain problems in his own country. He can ask the country representative to inquire, for example, if his country could be the principal supplier of a particular item. He can make recommendations to the country representative in the secretariat of the standing committee but he cannot give orders.
34. A fundamental part of each standing committee is the working group. There are an average of three or four working groups in a standing committee. Their meetings are called by the secretariat of the standing committee on an ad hoc basis. If necessary the working group can be divided into sections and sub-sections. Only fragmentary questions are considered at working group meetings. For example, the Standing Committee for Coal Industry has a working group for the balancing of fuel and power. The working group will be composed of persons drawn from appropriate parts of the governments, mostly from a State planning committee. They will meet for a couple of days or a week, as necessary, and then will go back home. The results of their work will be presented to the secretariat of the standing committee. If it is a matter which can be handled simply, concerning which there is no dispute, then it can be quickly disposed of at the next conference of the standing committee.
35. Directives to the standing committees can come only from the CEMA plenary session. If differences of opinion arise in the standing committees which cannot be resolved, complaints are usually registered by the complaining country to the CEMA Secretariat, mostly regarding nonfulfillment of some delivery obligation. The CEMA Secretariat has no executive power over the standing committee but can refer the point of contention to the offices of the deputies concerned and make a recommendation. Then the office of the deputy negotiates with his State planning committee chairman, who can direct the appropriate ministry to justify its case or make the required changes. The offices of the deputies are usually only intermediaries between the standing committees and the CEMA Secretariat.

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36. The coordination of the defense effort from a production of armaments point to view is handled by a Standing Committee for Defense Industry which has its headquarters in Moscow. The conferences pertaining to armament coordination are limited to the members of this committee and the representatives from the respective defense ministries of the member countries of CEMA. Certain closed sessions are not even attended by representatives of the Council Secretariat. Everything involving this committee is very secretive, and only persons who have direct business with this committee are permitted to participate during the committee meetings. Even the coordination which the offices of the deputies of the CEMA member countries perform for the other standing committees is excluded with respect to the Standing Committee for Defense Industry. Their coordination is done either directly at the committee level or handled through liaison and conferences directly with the respective defense ministries. The other standing committees are required to submit at least an annual report of their work to the office of the deputies of the CEMA countries. The Standing Committee for Defense Industry is not required to submit its report to the CEMA Secretariat. 25X1

The Working Committee for Economic Problems

37. This committee is located in Moscow and was created by CEMA specifically to review and coordinate the long-range plans of the participating countries. It is a working committee of CEMA. It is not a standing committee, and can be dissolved upon completion of its work. The committee was decided upon at the 8th CEMA Plenum and made effective at the end of 1957. A Soviet functionary is now the chairman of this committee. This committee is supposed to continue until the question of the long-range plans has been resolved. The committee is made up of representatives of all Council members. The committee consists of about three or four representatives from each country. This committee has no office and no permanent secretariat. They met once in 1957 and will meet again in March 1958. The members are mainly from the various State planning committees, but they can also come from institutes and usually represent a high level of competence. Because of Soviet superiority in economic questions, the problems which are presented to this committee are thoroughly discussed in Soviet academies and institutes. The Soviets, therefore, set the tone for questions that come up in this committee.

Observer Countries in CEMA

38. The Chinese Communists are only silent observers in the CEMA meetings. They take no part in the open discussions. However, the Soviet Union has quietly suggested, with the support of the DDR, that the Council, in making its coordinated plans, cannot simply overlook the Chinese plans for economic development. The economic plans of China, Korea, and Vietnam will be taken into consideration. 25X1

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There have been no efforts made to make China a member. However, there is an effort to cooperate with China. It is planned to determine what can and should be delivered where, how the economy should be developed, and what one can get from China in order to help equalize a deficit in the Council countries. It has been suggested that a tropical research institute for the testing of some kinds of machinery under tropical conditions should be built in China. China has agreed to permit construction of such an institute in its territory; the participating countries which are interested in it must contribute the finances on a share basis. Such specific cooperative projects have been discussed. For the most part the discussions with China are bilateral rather than multilateral.

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39. The Yugoslav trade attaché in Moscow, Pelizon ^[sic], possibly Ivo Peligon/, has been negotiating with the Secretariat about future participation at CEMA meetings as an observer. Pelizon wanted to be present during the plenary sessions and during meetings of the standing committees. He was advised that he should submit in writing a request for such participation as an observer and that this request would then be presented during a conference of the CEMA countries' deputies, who would have to vote on the proposal. So far the Yugoslav request has not been put in writing, and therefore they do not yet participate as observers during the CEMA meetings.

CEMA RELATIONSHIP TO GKVES

40. The USSR State Committee for Foreign Economic Relations (GKVES) has no jurisdictional authority with respect to CEMA. CEMA deputies and members of the Secretariat are in no way subordinate to it. Disputes are handled within CEMA itself and are never referred to GKVES. However, there is an informal relationship which does exist. CEMA deputies have contacted GKVES on a number of occasions. This contact is at the initiative of the CEMA deputy and is confined to requests for economic assistance or to discussion of trade questions which involve the Soviet Union directly. Actually, in such cases the matter is not really a concern of CEMA. Rather the CEMA deputy is acting on behalf of a minister in his country who has appealed to him to handle the matter rather than going through the trade delegation to Moscow, which would be the usual channel for such talks. Such conversations are never initiated by GKVES.

EFFECTIVENESS OF THE CEMA ORGANIZATION

41. The weakness of the CEMA organization is the fact that no one really knows who stands above whom. This can also be seen in the struggle between the deputies and the Secretariat regarding

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the standing committees. This affects the work of the Council. The increase in the table of organization is to give more detailed consideration to the problems under discussion and to be able to give the member countries more detailed reports. It is not yet clear whether this proposed T/O will be accepted. The question is primarily financial, since it would mean that the member nations would have to increase their contributions to the Council. Thus far, Bulgaria and Albania have indicated that they are limited in their available funds. Every country is checking to see how much more it would cost to increase the T/O. Probably the Council T/O will not be increased in the near future. When the T/O has been worked out to a point where all members know where they stand, the Council will probably function better. The increased T/O can lead to further confusion, if more people then do not know where they stand, if the constitution of the Council is not clarified along with the increased T/O. Such a constitution could be created at the expense of the standing committees if, for example, the constitution granted the Secretariat powers over the committees. There are currently no real disciplinary powers or measures in CEMA. There are usually concrete penalty provisions in foreign trade organizations in case one country does not meet its delivery obligations. These powers should be included in CEMA contracts, because it is not enough to say that a country does not abide by the principles of international cooperation. Otherwise the contract is abstract and it is hard to find an appropriate control. Some measure of control is maintained through the influence of Party organs.

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42. CEMA is primarily an instrument of economic coordination of the Soviet Bloc, but this economic coordination is guided by political considerations, which are to present a front of solidarity among the socialist countries against the capitalist threat. Poor organizational structure, as well as the national interest of the member countries, are two major factors which handicap the efficient functioning of CEMA. The tension and friction among the CEMA country representatives is most strongly noticed at the meetings of specialists in the standing committees. There hard bargaining takes place and indications of national interests prevail in the discussions. At the higher echelons such as the offices of the deputies, the CEMA Secretariat, and the meetings of the chairmen of the respective State planning committees, there is much less friction and greater unanimity.
43. Two factors seem to indicate that the future influence of CEMA will increase. One, there is a tendency to increase the staff of all the three echelons of CEMA. Secondly, the Soviet proposals which would make CEMA decisions part of each individual country's national planning, and which would thus give the CEMA decisions a legal foundation for every respective country, would strongly

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increase the influence of CEMA as a coordinating body. There is no certainty as yet that the Satellite countries will accept this proposal. There probably will be a considerable amount of resistance. However, if accepted and implemented, it will put teeth into the CEMA decisions and will increase the stature of CEMA to a great degree. If the Council could effect its coordination as it plans to do, then there would be considerable dependence of the member nations on each other.

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METHODS OF SOVIET CONTROL OVER CEMA

44. Officially the Soviets do not have any greater rights or privileges than other countries. In fact, however, the Soviets take the initiative in introducing a major portion of the proposals. After a period of time every member nation is required to report the progress it has made in carrying through the Soviet proposal. Usually proposals come from the various member nations and are brought together in the Secretariat, which passes them on to the meeting of the deputies. The meeting of the deputies treats each proposal separately. A decision is then made as to which proposals are maintained and which are removed from the comprehensive study presented by the Secretariat. As soon as a decision is made, it is brought before the various member nations. Before a proposal is accepted, it must be voted on unanimously by all the deputies. Thus, by making the largest number of proposals, the Soviets exert one type of control over the Council.
45. The official language is Russian, and the Soviets usually initiate proposals which they have previously worked out. Since many of the deputies are not fluent in Russian, the Soviet proposals have to be translated first into the respective languages before the various member countries can take a stand or write a position paper about the Soviet proposal. The time element involved is usually in favor of the Soviet delegation, and thus any arguments or changes proposed by the other members are frequently neutralized by the Soviet delegations' better familiarization with the topic, as they have had more time to work on it, and by the limitation of time for the other members to prepare their arguments and counterproposals. The Soviet delegations have larger and better trained staffs on the three levels of Secretariat, deputies' offices, and standing committee offices. The Satellite deputies consider the Soviet deputy and his advisors more experienced and capable in the management and planning of the economy within the context of socialist political-economic theory.
46. The Soviet Union exerts control in the political sphere because of her position as the leading socialist country. There is no direct indication of Party control over CEMA decisions because the socialist countries espouse the thesis that the Party and the

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government are two separate bodies. Nevertheless, the strongest element of control which has been exercised in the past concerns the behind-the-scene supervision of CEMA decisions by the respective central committees of the Communist Party in the member countries.

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47. For example, since every CEMA country deputy is directly responsible to his State planning committee chairman, the latter is in a position to direct and guide his country's CEMA representative's activities. Since the chairmen of the Satellite State planning committees are usually members of the Communist Party Central Committees and, in some instances, candidate members of the presidium, the chairman receives his instructions from this high political body. Therefore, although there is no clear evidence of political considerations entering into the economic coordination of CEMA, a channel for passing such political influence from the CC/CPSU to the chairman of the State planning committees down to the deputies of CEMA clearly exists and presumably is utilized.
48. In addition, economic experts from the respective Party central committees of the member countries usually inspect the decisions made at the CEMA plenary sessions. One month after the plenary session, this team of central committee experts looks over the decisions made during that plenary session. Another of their functions has been described as making recommendations to assure that in the future these plenary session decisions are implemented to a greater degree than has been the case in the past.
49. There is a tendency to pay too little attention to the principles of cooperation and coordination among member countries when it comes to meeting specific delivery requirements. The USSR CEMA deputy, N. M. Siluyanov, stated that there has been an increased tendency on the part of the member countries to disregard the plenary session's decisions; as a result of that, the USSR delegation and the CEMA Secretariat will propose various changes designed to make the plenary session's decisions more controllable and enforceable. Siluyanov stated that several of the countries that have failed to receive promised deliveries have come to Moscow to complain and that this is a clear indication that the principles laid down during the last plenary session were being disregarded. It is planned for the future to have the Council Plenum's decisions become a part of national economic planning, in which the CEMA decisions are to be given a legal foundation in the respective countries, so that failure of compliance can be legally enforced. The Soviets contribute a considerable amount of the goods to cover the deficits of the member countries. For example, if Hungary does not receive anthracite coal that was promised by the DDR, Hungary receives the deficit amount from the Soviet Union. This occurs in many cases.

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SECRETCEMA LONG-RANGE PLANNING ACTIVITY

50. In the past each nation has had its own Five-Year Plan which has not been exchanged with other member nations of the Council. In the light of decisions of the Council, each nation examined its Five-Year Plan to determine its own ability to comply with decisions of the Council. If it did not believe it had the capacity to deliver commodities suggested by the Council it simply did not comply with the Council's recommendation. Such coordination of national plans as there was was accomplished for specific commodities in the standing committees. For example, one nation would announce in a committee that it could export a given amount of a commodity, and agreements would be made for exchange of goods. The Five-Year Plan for 1955-60, for example, was coordinated only between two or three nations in the standing committees. The Secretariat, the deputies, and the representatives to the Council were not brought into the process.
51. As a result of decisions taken at the 8th Plenary Session of the Council, there is a new concept of group coordination of long-range national economic plans. Long-range planning is regarded as the most important work of CEMA. The long-range plans are an attempt on the part of CEMA to draw up coordinated economic development plans for the next ten to fifteen years for basic industries and major production items. A long-range plan is made for each important branch of industry and agriculture. Thus far the major concentration has been on coal, power, basic materials, machine construction, and chemical products. Exactly how comprehensive as to types of product and industrial branches such planning shall become has not yet been decided.
52. Conservation of materials in short supply, so that more will be available for essential uses, is a part of the program. For example, CEMA member countries are attempting to cut down on the use of coal for heating purposes in order to make more available to the metallurgical industries. Certain countries are being encouraged to reduce their consumption in order to make more available to countries having the greatest need.
53. The starting point for plan coordination is the long-range economic plan of the various countries. Every country is developing its own economic plan for the period 1960 to 1975. This plan is to be presented to the Working Committee for Economic Problems, which is located in Moscow. It is the duty of the working committee to check and coordinate the various long-term plans. The production of important commodities is to be balanced against requirements. If deficits are apparent, import requirements can be estimated. The prewar years 1938 and 1939 are being used as norms because it

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was in those years that the countries had achieved their highest prewar production. The year 1955 is to be the base year for production indexes.

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54. The long-term period, 1960-1975, is to be divided into two stages. Planning for the first stage, 1960-1965, is expected to be in rather specific terms, as it is believed that the countries can estimate their production and their requirements more exactly for those years. Planning for the years 1966-1975 will be in more general terms. Plan coordination may lag behind schedule because the member nations have been reporting difficulties in developing their national plans.

55. The plenary session of the Council discusses the proposed national plans and lays down general guidelines for coordination. Details of the coordination are then worked out in accordance with these general guidelines by the standing committees. The result should be a picture of the total future production in specific industrial branches, balanced against consumption requirements of the individual countries. In this way it is determined which countries will have surpluses and be in a position to make deliveries to countries having deficits.

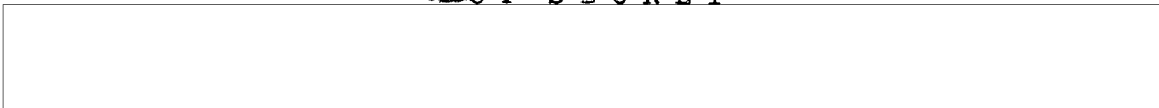
56. The coordinated proposals will then go back to the State planning committees of the various member countries. There the national economic plans should be revised so that they correspond more nearly to the coordinated suggestions. Some of these suggestions may contain recommendations concerning specialization. For example, it may be recommended that a country stop trying to develop a particular industrial branch which already exists at a developed stage in another CEMA country. Poland might be discouraged from investing in the development of optical equipment and chemical industries because those industries already are well developed in the DDR, which could export its production to Poland. The purpose of such coordination is to avoid wasting the economic strength of the bloc by expanding industrial branches in one country which already are well developed in another. Various aspects of planning are discussed below in the section on CEMA activities during 1957.

CEMA ACTIVITY IN UNDERDEVELOPED AREAS

57. CEMA countries are rendering economic assistance to underdeveloped areas with the ostensible objective of developing and advancing the national economies of the underdeveloped countries. Trade has been the principle means of increasing contact with the underdeveloped countries, and although goods are sold to them at prices which actually are below world market prices, it is believed that such trade is profitable.



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61. When one of the Satellites negotiates with an underdeveloped country concerning delivery of specific products, the Soviet Union often is requested to extend credits to the Satellite. For example, if Czechoslovakia negotiates [redacted] concerning delivery of certain industrial equipment, and [redacted] wants the equipment but lacks the funds to pay for it, the Czechs may go to the Soviet Union and ask for credit. The Soviet Union gives the credit to Czechoslovakia, which in turn passes it on to [redacted] can now import the desired industrial equipment and as far as it is concerned the creditor is Czechoslovakia, although the latter actually obtained it from the USSR. Such credits, granted to bloc countries to make possible deliveries to an underdeveloped country, are not counted as part of the planned credit agreement between the USSR and the other bloc country. Thus, figures published concerning credits granted by the USSR to a Satellite do not contain these extra credits, which cannot be anticipated in advance and which are made available as the need arises.
62. CEMA's Standing Committee for Foreign Trade has urged increasing direct purchases from the underdeveloped areas, expanding the variety of goods exported to the underdeveloped countries, particularly industrial goods for which there is considerable demand, and exploitation of possibilities for multilateral trade and payment accords. It also has urged that there be exchange of views among the ministries of foreign trade of member countries and among foreign trade organizations pertaining to prices, delivery terms, market conditions, and opportunities for carrying on trade with underdeveloped areas. It has suggested that a survey be made of market opportunities in underdeveloped countries of primary interest to CEMA, and has urged trade representatives of the participating countries to conclude contracts with the underdeveloped nations.

CEMA RELATIONS WITH CAPITALIST COUNTRIES

63. The Standing Committee for Foreign Trade agreed in late 1957 to increase its participation in trade with capitalist countries. Those CEMA foreign trade organizations that had proven themselves in trading with the capitalist markets were to meet with other interested foreign trade organizations and agree upon concrete tactics and methods to be used in the future when trading with the capitalistic countries. The leading functionaries of the foreign trade organizations were to meet at least once a year and decide upon the most important commodities. Representatives of foreign trade organizations dealing with machines and equipment were to meet in early 1958. The duties outlined above were to be carried out. When necessary, an agreement was to be reached

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regarding the time and place for commodities to appear on the market. This would alleviate the concurrent appearance on the market of large amounts of commodities from several foreign trade organizations. ✓

64. Prior to negotiations on large quantities of goods, consultations should be held with the CEMA country which purchases or sells the largest quantity of goods in question. Information is to be exchanged on firms that are irresponsible in trading with CEMA countries. Representatives of CEMA foreign trade organizations are to determine the categories of goods that require consultation prior to purchase or sale. Minimum limits for sale price and maximum limits for purchase price are to be established for certain commodities. Prior approval is required before large quantities of goods are purchased or sold outside the established limits. It is to be proposed that the ministries of foreign trade increase their control over prices in order to prevent a wide discrepancy between CEMA prices and those charged by capitalist firms. Prior to their participation in the negotiations of orders, interested CEMA foreign trade organizations shall consult foreign trade representatives abroad in order to exploit their knowledge and determine tactics to be used during negotiations with capitalist countries. Where possible, the meetings concerning trade with capitalist markets should be conducted with representatives from trade organizations that handle similar groups of commodities.

65. The allocation of market areas to the bloc countries is done in general categories of products. If orders for a category are received by the CSR, these are to be passed on to the country which has been allocated that type of product. It is attempted to register the request of every order from every underdeveloped country. The secretariat of the committee registers these requests and decides which country is competent to carry out the order. The point is raised that there would be conflicts if an area which is the responsibility of a bloc country requests goods for which another bloc country is appointed to make deliveries. In such cases, the decision is made that the country which makes the deliveries is appointed the major deliverer. This is a weakness in the system, since in most cases the responsible country for an underdeveloped area is not the major supplier. The division of this responsibility is limited only to requests for goods from these countries. For example, if an order from [] goes to its supervising bloc country, the order is serviced by the competent bloc state, even if it is not the supervisor. Not many areas have been specifically assigned thus far for supervision by a bloc country.

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INTRIA-BLOC CEMA PROBLEMS

66. Upon recommendation of the Soviet representative the general emphasis is on encouraging multilateral negotiations and agreements rather than bilateral agreements. However, bilateral agreements are still about 50 percent of all contacts and are made especially when the nature of the transaction limits the participating countries to two. For example, bilateral agreements exist between the USSR and the DDR in the delivery of cotton to the USSR from the DDR. Such bilateral agreements are negotiated by the respective ministries for foreign trade, which then advise the CEMA Standing Committee for Foreign Trade of the progress and results. All bilateral agreements made between CEMA member countries are made by the respective ministries for foreign trade. However the agreement must be reported to the CEMA Standing Committee for Foreign Trade. The results of such a bilateral agreement are also submitted to the office of the CEMA deputies for their information only, rather than for action.
67. Thus far the clearing system has had very little use and effectiveness and the various member nations appear to have a certain fear of the system. There is a clause which demands that in the mutual delivery of goods a maximum sum must be stated, and that everything exceeding this sum must be balanced by free valuta. The finance experts are usually not consulted in the development of the clearing system. As a result the clearing system has certain weak aspects. It must contain certain strict clauses, as well as clauses which are directed against the West. These are probably the reasons why there has been such opposition to passing any information on the clearing system to the ECE (UN). ECE made an inquiry to the Council regarding information on this system in the fall of 1957. At that time the various ministers of foreign trade were called on to determine whether there was any objection to advising the ECE of the agreements in the clearing system. This proposal was rejected at that time.
68. Product specialization is limited now only to machine production and all its subordinate parts. Where specialization in a particular machine has been assigned to one country, the others are required to maintain their production at the existing level. There are instances where certain types of products are cut completely. This is determined in the secretariat of the Standing Committee for Machine Construction. The country representative then must turn to his ministry and inquire whether his country is in a position to cut production or maintain it on its existing level, and whether it agrees with the proposal of the committee. Poland took one type of commodity out of production on the assumption that this particular commodity could be supplied by the CSR. The CSR could not fulfill its commitment. Poland was then forced to take up production again

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and complained about this situation. Poland had made certain requests for some material for the defense industry which it did not receive. The same situation also existed between the DDR and the CSR.

69. In the case of the smaller nations, who often insist on the point of view presented to them from their home offices, they often feel that their nationalism has been affected. This attitude has become apparent in CEMA discussions. This expression of nationalism is unacceptable to the other member nations, who try to influence the disputing nation. If Hungary has a nationalistic problem of some sort, she may turn to the DDR and ask her to join forces so that both represent the same line of thought. Thus, if enough nations can be won on one side or the other, the weaker has to give in.

THE WORK OF CEMA DURING 1957

From January 1957 until the Eighth CEMA Plenum

70. During the period from January until May 1957 the following questions were discussed and appropriate decisions made at the meetings of the deputies of the representatives of the CEMA countries.
- a. Publishing of statistical bulletins
 - b. Conclusion of an agreement concerning multilateral clearing ✓
 - c. Table of organization and budget for the year 1957
 - d. The statutes of the standing committees for economic and scientific-technical collaboration
 - e. The work of the standing committees
 - f. Discussion of a letter from the Deputy of the Chairman of the Council of Ministers of the People's Republic of Poland, Jaroszewicz, of 12 April 1957, concerning questions on the activity of CEMA and necessary changes in the methods and forms of its work.
71. Of special importance were the discussions of the work of the standing committees and of the letter of the representative of the People's Republic of Rumania in CEMA, Birladeanu, at the meeting of the deputies. At this meeting it was determined that the work of the standing committees, notwithstanding their brief existence, is observed to be positive. At the same time it was noted that essential deficiencies in the work of the standing committees had manifested themselves. The following chief deficiencies were cited;

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- a. In the working plans a great number of questions of frequently second-rank importance were considered
 - b. The chief emphasis was assigned to questions of scientific research and development work, as a result of which the economic tasks of the coordination of the national economic plans received little attention
 - c. Too many permanent sections and working groups were created
 - d. The meetings were not adequately prepared, and too many meetings were held
72. For the removal of the cited deficiencies in the activity of the special standing committees a decision was taken which was communicated to the chairmen of the committees and the heads of the delegations of the individual countries. Among other things, this decision provided that in the future at the meetings of the deputies of the representatives of the countries in CEMA the working plans of the committees will be discussed, and in necessary cases proposals concerning the work and coordination of their activity will be presented. The CEMA Secretariat was requested to present comprehensive information concerning the work of the standing committees to the deputies of the representatives of the countries in CEMA. At the same time the Secretariat of CEMA was requested, in connection with the formation of the standing committees, to prepare appropriate proposals concerning the organization of mutual exchange of technical documentation on the basis of proposals of the countries.
73. During the discussion of the letter of Jaroszewicz it came out that all of the countries inferred that the proposals in the letter were aimed at a restriction of the activity of the Council. The Polish deputy rejected this interpretation. The discussion revealed that the concept of the People's Republic of Poland with respect to the question of coordination of the national economic plans was as follows: through various channels, i.e., at the meetings of the Council and its organs, there should take place deliberations with respect to the direction of the development of the national economy as a whole and a discussion of its individual branches; proposals concerning the necessary expansion of capacity should be made; the deficits within the socialist camp as a whole should be determined; and questions of specialization of production should be discussed. In this respect, however, no figures concerning the level of production, or concerning the necessary exports and imports between the individual participating lands should be established. The establishment of obligatory figures concerning mutual deliveries should be regulated on the basis of long-term

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bilateral agreements. During the discussion of the questions concerning the activity of the Council at the Eighth Plenum of the Council, the very restrictive points of view were dropped for the most part.

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The Eighth CEMA Plenum

74. The Eighth Plenum of the Council for Economic Mutual Assistance was held in the period from 18 to 22 June 1957 in Warsaw. In addition to the participating countries of the Council, observers from the Chinese People's Republic, the Korean People's Democratic Republic, and the Federated People's Republic of Yugoslavia took part in the meeting. The following questions were discussed:

- a. Deficits in important commodities -- 1958-1960: No problems with respect to the question of deficits in important raw materials and foodstuffs could be solved. Only another compiling of the current deficits was made. The USSR declared that it would hold to the decisions of the Eighth Plenum of the Council with respect to deliveries for 1958-60, and that it was examining the possibilities for increasing deliveries of certain deficit commodities; it expected in return the delivery of the commodities which it required for its national economy.
- b. Coordination of the long-term plans: It was considered expedient to begin the coordination of the long-term plans for the next 10 to 15 years within the shortest possible period.
- c. Assistance for the Polish coal industry: The Polish group declared that future coal deliveries were highly contingent upon capital investment assistance for the coal industry. The credit agreement concluded between the DDR and Poland was considered beneficial. The CSR declared its willingness in principle; Hungary and Bulgaria will examine the possibility of financial participation in the development of the Polish coal industry. The USSR will assume all of the costs of the development of the iron ore industry. This will free funds in other countries which can be used for participation in the development of the Polish coal industry.
- d. Transportation problems: The difficulties in rail transport arising in consequence of the increasing freight transport between the participating countries were discussed, and the inadequate development of the merchant marine of the countries participating in the Council was also noted. It was decided to create a working group.

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- e. Improvement of the work of the organs of CEMA: The fragmentary activity of the organs of the Council was criticized and measures undertaken aimed at achieving a concentration of the activity of the Council on the handling of critical problems of national economy. The activity of the deputies of the representatives of the countries of the Council and of the Secretariat of the Council must be strengthened. The work of the special standing committees must be coordinated and directed through the meetings of the deputies. 25X1
- f. Meeting of the ministers for foreign trade: During the Eighth Plenum of the Council, a meeting of the ministers for foreign trade took place, at which a multilateral clearing agreement between the countries participating in the Council was reached, and an exchange of experience with respect to a number of questions was carried on. ✓
- g. "Common Market" and "Euratom": At the proposal of the DDR it was decided to include in the published communique a statement that the delegations of the participating countries consider the creation of the European Coal and Steel Community common market and of "Euratom" an impediment to the development of foreign trade and other forms of economic cooperation of all the European countries.

Coordination of National Economic Plans Until 1960

75. At the Eighth Plenum of the Council, several major questions which have considerable significance for the development by the countries of five-year plans for the period 1956 to 1960 were not solved. Aside from this, changes in the plans were made later by the countries.
76. The discussion of the chairmen of the State planning committees of the participating countries of CEMA, from 12 to 14 March 1957 in Moscow, gave an approximate view of the situation regarding the supply of the CEMA countries with coal, petroleum, petroleum products, metallurgical coke, raw iron, rolled products, iron ore, aluminum, and zinc, and presented the countries with the problem of taking measures to reduce consumption in order to increase export resources. After examination of the questions posed in each country, a multilateral discussion was to take place on the most important deficits. 25X1
77. The Eighth Plenum of the Council asked that the State planning committees and the ministries of foreign trade of the member countries prepare within three months, on a bilateral and multilateral basis, realistic plans for mutual deliveries of the most

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important commodities for 1958 to 1960 with regard to specific plans, and that the ministries for foreign trade conclude agreements for three years. Since 17 September, negotiations between all Council countries concerning general conditions for deliveries in foreign trade have been in progress. The base year for these negotiations is the year 1951. The Soviet Union unexpectedly came forward with completely new proposals, to which the CSR, above all, gave its concurrence, as it usually does even when it is detrimental to the CSR. Contained in the provisions from the year 1951 were many advantages for the DDR, so other countries desire to extricate themselves from the bilateral agreements with the DDR. The entire tenor of the negotiations is aggressive, and agreement can hardly be anticipated. Even the DDR is opposed to 15 points, including the Soviet proposal for the extension of the guarantee term for cable products from 12 to 24 months.

Activity of the Deputies During the Second Half of 1957

78. After the Eighth Plenum of the Council, the meeting of the deputies proceeded to carry through its work systematically. The topics to be discussed were determined three months in advance. At the same time that they discussed and confirmed their own plans, the meeting of the deputies also discussed the working plan of the Secretariat. During the first half of 1957 only five meetings of the deputies of the representatives of the CEMA countries took place, but during the second half of the year seventeen official, and in addition a number of unofficial, meetings took place. The first session following the Council Plenum, on 10 July 1957, concerned itself with the organization of work for carrying out the decisions of the Eighth Plenum of the Council, and established appropriate measures.
79. In a number of sessions the meeting of the deputies concerned itself with the drawing up of its own charter and with the charter of the Secretariat. While previously an established policy with respect to the delimitation of the tasks of the individual organs was completely non-existent, the formulation of these charters created a certain clarification. There is no general charter concerning the Council and its organs. On several occasions the work of the standing committees was discussed and concrete recommendations for the coordination of their work, for reducing the excessive number of meetings, and on other questions were given.
80. At a special session which took place in Prague in September, the report of the chairman of the Standing Committee for Machine Construction on the activity of the committee in the previous period was heard. The meeting of the deputies decided on a great number

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of measures as a recommendation to the committee, in which concentration on the question of concurrence in long-term plans and specialization of production for a limited circle of machines and equipment were especially emphasized. The Secretariat of the Council was commissioned to expedite, on the basis of background data from the countries, the preparation of proposals with respect to the improvement of the procedure for the exchange of technical information, as well as for the question of patents.

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- 81. In the preparation for meetings on reciprocal deliveries during the period 1958-1960, the meeting of the deputies determined which items should be multilaterally and which bilaterally negotiated.

In preparation and appraisal of the meeting of the chairmen of the State planning committees in Prague, and the first meeting of the Working Committee for Economic Problems, the meeting of the deputies concerned itself on several occasions with questions concerning the organization for the carrying out of the preparatory work for concurrence in long-term plans, and established measures which, among other things, are designed to expedite those tasks, which are in many ways behind schedule.

- 82. The following questions were also taken up by the meetings of the deputies during the second half of 1957:

- a. Publication of statistical bulletins
- b. Formation of a Standing Committee for Construction and a Standing Committee for Transportation
- c. Conclusion of a multilateral agreement concerning protection of plant life
- d. Contact with other international organs
- e. Conclusion of transactions within the framework of multilateral clearing.

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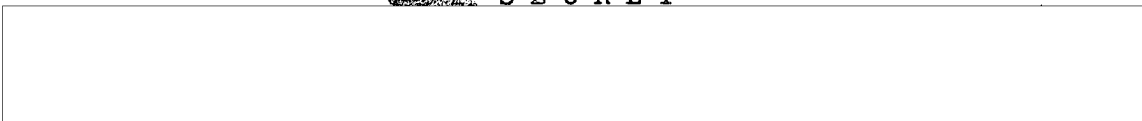
- 83. Following are excerpts from Meeting of the CEMA Deputies in Prague, 19 to 20 September 1957:

Present:

- Albania: Ruka (since 24 February 1957)
- Bulgaria: Belomyshev
- Hungary: Osztrovszky
- DDR: Opitz
- Poland: Slusarczyk

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Rumania: Cioara
USSR: Siluyanov
Czechoslovakia: Maurer

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Representing the Secretariat of CEMA: A. A. Pavlov, Secretary of
the Council
F. Hamous, Deputy of the
Secretary

From the Committee for Economic and Scientific-Technical Cooperation (sic)
in the field of machine construction:

Chairman of the Committee: Polacek
Responsible Secretary of the Committee: Stefka
Chairman: Osztrovszky

Agenda:

Report and discussion of the report of the chairman of the committee
concerning the activity of the committee during the past period. The
report is admitted by the meeting of deputies. The main objective
of the committee is the specialization of the basic branches of
machine construction.

Meeting of deputies:

In accordance with the decision of the Eighth Council Plenum, the
basis for the further activity of the Standing Committee for Machine
Construction must be the coordination of the long-term plans for
the development of the machine construction industry. Long-term
plans are for 10 to 15 years. Important in this is the more rational
application of the production capacity in the machine construction
industry, as well as the providing of the most important branches
of the national economy with equipment. Included in these important
branches are: coal industry, metallurgy, power, chemical industry,
transport, and agriculture. In this respect greater attention must
be paid to the raising of the technical level of machines and
equipment, as well as to the selection of those machines and equip-
ment which offer the greatest economy in metal. It is desirable
that the committee devote greater attention in its working plan
to those problems which are current for a number of participating
nations and which demand an urgent examination and acceptance of
agreed recommendations. Concerned are problems such as the pro-
duction of electrotechnical apparatus, the more rapid introduction
of modern types of diesel and electrical locomotives, and the
modernization of the equipment of the basic materials industry
in order to raise the production capacity without significant
investment.

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Coordination of Long-Term Plans

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84. To carry out the decisions of the Eighth Council Plenum a consultation of the chairmen of the State planning committees took place from 25 to 27 September 1957 in Prague. In the discussion concerning the development and coordination of long-term plans for the most important branches of the national economies for ten to fifteen years, two points of view came out with regard to a principle for an approach to these questions. One point of view was represented mainly by the DDR, which considered the question of coordination of the long-range plans particularly as a coordination of the development of production, at least as a point of departure. A different point of view was upheld by the People's Republic of Poland, which considered coordination particularly a question of the coordination of foreign trade. Aside from these viewpoints, there are a number of other conceptions, which do not represent such specific principles but which represent a certain departure from the decisions of the Eighth Council Plenum. It was determined that the Working Committee for Economic Problems should work out the economic analysis by 31 March 1958. (Decision of the Eighth Council Plenum was 1 January 1958.)
85. During the first meeting of the Working Committee for Economic Problems, various differing conceptions arose among the individual countries concerning parts of the economic analysis. Thus, the DDR and the CSR represent the opinion that the conclusions of the analysis should contain wide-reaching proposals for the development of the most important branches, particularly the basic materials industry. The representative of the People's Republic of Poland spoke against these proposals. The representative of the USSR agreed with the CSR/DDR opinion. Most of the standing committees have in the last months of 1957 held meetings at which decisions concerning the ways and means of preparing the agreement of the long-term plans were reached, in particular concerning the analysis of the development of the branches of industry up till the present time, concerning the working out of the main direction of the development of techniques, as well as concerning the compilation and definition of the quality and quantity figures with respect to long-term planning. On 16 October 1957 there began a meeting of experts in preparation for the working program of the Working Committee for Economic Problems. The main topic was the discussion of the problems resulting from the conclusions of the Eighth Council Plenum and the meeting of the chairmen of the State planning committees in Prague from 25 September to 27 September 1957, particularly those relating to the coordination of long-term plans (1960-1975).

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86. Long-term plans will be established for the period 1960 to 1975. 25X1
The necessary planning work should be concluded by the end of 1959. It is anticipated by the end of 1959 to have accomplished the coordination of the long-term plans for the period 1960 to 1975 in the following branches of the national economy, in accordance with the minutes of the Prague meeting:
- √ a. Power and fuel base: Coal, petroleum, gas, and production of atomic energy.
 - b. Ferrous metallurgy: Crude iron, rolled steel, pipes, iron, and manganese.
 - c. Non-ferrous metallurgy: Copper, zinc, lead, and lead and zinc ores.
 - d. Chemical industry: Caustic soda, soda ash, synthetic rubber, automobile tires, fertilizer, sulphuric acid, phosphorous and phosphorous-containing raw materials, and nitrogen fertilizers.
 - e. Machine construction: Forging and pressing equipment and lifting and transport equipment.
 - f. Agriculture: Grain, meat cattle, and oil seeds.
 - g. Food industry: Butter, animal fats, and grain.
 - h. Transportation: Assuring export and import traffic and promotion of transport.
 - i. Wood and cellulose: Wood substitutes.

CEMA Figures on Bloc Deficits (1958-1960)

87. At the meetings from 10 to 17 October 1957 in Moscow, representatives of the State planning committees and the foreign trade ministries discussed questions concerning the mutual deliveries of anthracite, coking coal, and anthracite coke; ferrous metal rolled products and pipes, petroleum and petroleum products, including airplane gasoline, automobile gasoline, special (military) fuels, kerosene, diesel fuel, and heating mazut. At the meeting working groups were formed to develop the various proposals for anthracite, coke coal and coke, ferrous metal rolled products and pipes, and for petroleum and petroleum products. On the basis of working group reports, the participants at the meetings discussed the quantities of goods which are to be taken as a basis of agreements covering mutual 25X1

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deliveries for the period 1958 to 1960, and offered appropriate recommendations. On the basis of the acknowledged requirements and export capabilities of the participating countries, the following picture developed for specific types of products (1,000 tons).

	<u>1958</u>	<u>1959</u>	<u>1960</u>
Anthracite			
Hungary	519	710	830
DDR	-	340	400
Total	850	1110	1320
Coking coal			
Hungary	120	180	-
DDR	-	275	-
Smelting Coke			
Hungary	287	280	340
DDR	270	430	800
Total	647	875	1200*
		*Cf. different figure given below.	
Ferrous metal rolled products			
DDR	182	324	417
Total	341	605	716
Pipes			
Rumania	86	132	122
DDR	30	70	97
Total	198	231	236
Petroleum and petroleum products			
Crude oil	165	295	455
Refined petroleum products	998	1584	2180
Heating oil (mazut)	397	255	350
Total	1560	2134	2985

A major portion of the deficit in refined petroleum products is found in Poland. 1958 677.9; 1959 730; 1960 943. The representative from Poland declared that Polish raw material exports to the socialist countries would have to be re-examined if Poland did not receive the necessary amounts of refined petroleum products. The deficit of metallurgical coke is serious; it will amount to 1,500,000 tons in 1960, with the greatest deficit in the DDR. Poland and the CSR are ready to deliver more anthracite coal on the condition that the DDR will deliver brown coal briquettes.

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Hungary will be requested to examine the possibility of reducing its internal needs for anthracite coal, in order to make less demand for imports from the participating countries. In the opinion of the Hungarian representative, the internal requirements are already low and can hardly be reduced.

88. The CEMA countries were called upon at the 7th and 8th CEMA plenary sessions to check their demands and lower their consumption. As shown in the following, the estimated deficits for 1958, 1959, and 1960 have been changed at various intervals.

	<u>Records of the 7th Council Plenum</u>	<u>Results of the 8th Council Plenum</u>	<u>Results of Several Discus- sions (Sept 57)</u>	
Coking coal				
1958	455	690	110	
1959	629	500	475	25X1
1960	615	360	---	
	[redacted] Comment: The deficit estimates will be lower after internal demands of individual countries are reduced.)			
Smelting coke				
1958	296*	1591	647	
1959	304*	1721	875	
1960	172*	2157	1260	
Ferrous metal rolled products				
1958	305**	415	341	
1959	340**	517	606	
1960	108**	336	716	
Pipes				
1958	---	298	198	
1959	---	352	231	
1960	---	338	236	

* Balance between the estimated production and consumption, without consideration of imports from capitalist countries.

** According to the findings of the sub-committee for accounting dated 26 June 1956.

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89. In the definition of deficits, it is first determined what the requirements of the countries for a particular product are. Then it is determined what capacity is available in the countries for the production of this product. Then the difference between requirements and capacity of the countries is determined. Thus the deficit is that which cannot be produced in the countries, but which will be required. No calculation of available imports is included in this calculation of the deficit. Methods must be sought for covering the deficit, either through increasing the production capacity, by imports from Western countries, or by reduction of requirements. If a bloc country has a surplus which permits it to export to the other bloc countries, that is taken into account in calculation of the total deficit for the bloc; but usually no country has a big enough surplus to cover the deficit of the other bloc states entirely. The major deficit commodities which require imports from the West are hard coal, from Austria, and steel.
90. The minutes of the meeting brought out that through the Standing Committee for Ferrous Metallurgy and the Standing Committee for the Petroleum and Coal Industry measures must be taken in order to locate additional resources to cover the deficits in coke, rolled steel, pipes, and petroleum products. These measures, however, will not lead in a short period of time to the removal of the deficits. In the Standing Committee for Ferrous Metallurgy, for example, the individual sections worked out proposals for the lowering of the deficits. Coordination among the sections, however, did not take place. At the last meeting of the standing committee, 10-14 December 1957, it was decided that the secretariat of the committee recapitulate the additional possibilities for the production of raw iron, steel, rolled material, and coke as developed by the individual sections of the committee, and present this at the next meeting of the committee, April 1958, in a proposal for discussion and presentation to CEMA.
91. In conclusion it can be established that, in principle, the Council concluded its coordinating activities until 1960 by agreement on the national economic plans. The decision of the Eighth Plenum of the Council, that agreements regarding mutual delivery of commodities for the period 1958 to 1960 be concluded within three months among the countries, was not carried through within the given term. By 10 November agreements were concluded in three cases - USSR/DDR; Albania/Hungary; Albania/CSR; in eleven cases discussions had begun, and in three cases a mutual exchange of drafts of lists of commodities was carried out. The chief concern of the Council at present is the fulfillment of the decisions of the Eighth CEMA Plenum.

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CEMA Contacts with International Economic Organizations

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92. The following was extracted from a "Secret" letter from Pavlov to all CEMA deputies, dated 17 October 1957:

"The development of economic and scientific-technical cooperation with the capitalist countries within the framework of the international economic organizations, in the first place with the ECE, is in accordance with the political and economic interests of the participating countries of CEMA."

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Comment: Until now, contacts were limited to the meetings of the committee for foreign trade of the ECE. Furthermore, reference was made to the visit of the Executive Secretary of ECE, Myrdal, who invited representatives of the Secretariat of CEMA to participate in meetings of the ECE.

93. "It is considered expedient to exploit future invitations of the Secretariat of the ECE and other international organizations for the development of business contacts, to augment experience in multilateral economic cooperation and the mutual assistance of the participating countries of the Council, as well as for the study of the working experience of other international organizations. It is important for participation in the work of the ECE for the countries of CEMA to represent a uniform line which would be agreed upon in advance."

Comment: It is planned to invite representatives of the Secretariat and the committees of the ECE in certain individual cases, as well as representatives from other international organizations, to participate as observers at meetings of the special standing committees at which questions of general interest are being handled. The basis for such contacts can be the exchange of economic and scientific-technical documentation between comparable organs of CEMA and the ECE. For example, the working programs of the Committee for Agriculture of the ECE and the Standing Committee for Agriculture of CEMA contain similar problems. Similarly, comparable problems are being handled by the ECE and CEMA in the areas of coal, ferrous metallurgy, electric power, and machine construction. The special standing committees of CEMA should exploit the positive experiences of the comparable committees of the ECE. It is planned to pass to the ECE Secretariat open (not secret) material.

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94. The agenda for the 18 October 1957 meeting of CEMA deputies included discussion of the final draft concerning the final arrangements for the regular meeting of CEMA which will deal with the problems of coordination of the long-term plans of the participating Council nations. In addition, the plan for the meetings of deputies from October to December 1957 was discussed. Discussion of the question of the organization of the Standing Committee for Construction, on the basis of proposals made at the international meeting for the development of model projects, which took place in Berlin from 21 to 27 May 1957, also was carried out.

The Meeting of the Standing Committee for Foreign Trade (Late October to Early November 1957)

95. The following is an extract of sections four and five of the minutes of this meeting. This document was approximately fifteen pages, covered the meeting of eight deputy ministers and was prepared for the foreign trade ministers. Participants in this discussion were Kuzmin, Pospelov, Incze, Rau, and Kabanov. A working group to prepare the final draft was made up of Kohout (chairman), Salusinszky, Lange, Pomian, Voicu, and Velikiy. Kohout reported concerning measures for the further development of mutually advantageous trade relations of the participating countries of CEMA with economically underdeveloped countries.
96. After the discussion and treatment of the report of the working group concerning measures for the further development of mutually advantageous trade relations of the participating countries of CEMA with economically underdeveloped countries, the committee considered it necessary to develop the ways and means which had been anticipated by the Council and the Standing Committee for Foreign Trade for the development of economic relations with the economically underdeveloped capitalist countries. For the purpose of further developing economic relations with the economically underdeveloped countries, the committee presented to the participating countries of the Council the following recommendations:
- a. To change to an increasing extent to the purchasing of commodities directly from the producing countries in order, wherever possible, to avoid mediation through European firms.
 - b. To extend the nomenclature of the commodities imported from the underdeveloped countries, particularly the purchases of those industrial goods of which there will be a long-term demand by several of the participating countries of CEMA.

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c. In view of the fact that it is recognized that the basis of trade relations is the development of an exchange of commodities on a bilateral basis, the exploitation of the possibility of multilateral trade and payment accords and operations, particularly to balance the accounts in the case of bilateral deliveries, is recommended as an additional means for the development of trade.

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d. In trading with these countries the advantage is to be given to State organizations, all conditions being equal.

97. In consideration of the individual questions and practical recommendations which deal with the development of mutually advantageous trade relations of the participating countries of CEMA with the economically underdeveloped countries, an exchange of views between the members of the ministries of foreign trade and interested countries is to be held when necessary. The exchange of views could pertain to trade agreements and pacts concerning the turnover of goods and payment relations; terms, rates of interest, securing guarantees for established credits; conditions, extent, and character of technical assistance; method for extension of the sales of machines and equipment (orders, consignments, selection of representatives, conditions of contracts with representatives, etc.); methods for the increase of the purchases of goods directly from the producing countries and the avoidance of intermediaries.

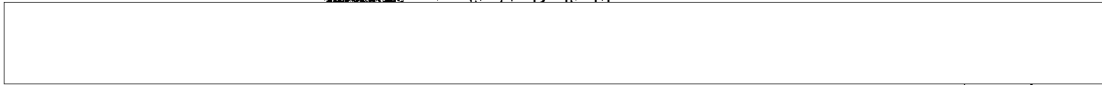
98. It is to be recognized as practical to obtain a survey of the economic situation and the foreign trade in the first instance in those underdeveloped countries in which the participating countries of CEMA have their greatest interest to develop their economic relations. This survey is to be carried out through members of scientific-research institutes and the geographic divisions of a ministry of foreign trade. It is desirable in these surveys to compile the experiences of the economic relations of the participating countries of CEMA with these countries and to present practical recommendations concerning the possibility of the further development of mutually advantageous trade relations. It was agreed to concur with the suggested plan for these surveys by the working group and to approve the proposal. It is desirable to conclude the plan for these surveys by the end of the first quarter of 1952 and to transmit them to the representatives of the countries in the Standing Committee for Foreign Trade and the secretariat of the committee.

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99. In the interest of the development of mutually advantageous trade relations with the economically underdeveloped nations, the foreign trade organizations of the participating countries of CEMA should coordinate, when necessary, their efforts by agreement in the purchase and sale, by cooperating in the deliveries of complete installations or complex technological equipment, in the transportation, acceptance or transfer of the commodities, installation of the equipment, exchange of information concerning unused bids for the delivery of goods, etc. Consultations between representatives of the foreign trade organizations concerning questions of price and delivery conditions are possible in carrying through operations with organizations and firms of the underdeveloped countries. For the improvement of coordination it is also practical to record a business contact between the trade representatives of the participating countries of CEMA and the economically underdeveloped nations.

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100. The secretary of the committee, Afanasyev, gave a report on a draft resolution prepared by the committee secretariat, based on proposals of the CEMA countries, concerning measures for the improvement of work in the area of coordinating trade of the participating countries of CEMA with capitalist countries. Participants in the discussion were Incze, Rau, Kuzmin, Trampczynski, Rozanski, and Kabanov. In view of the increased competition in the capitalist markets and the agreements of the capitalist cartels and firms in trade with the countries of the socialist camp, it was decided to increase the cooperation of the participating countries of CEMA in trade with the capitalist countries in the area of the cooperation of the foreign trade organizations of the participating countries of CEMA in carrying through the purchases and sales of commodities on the capitalist market, and in the areas of exchange of information and agreement on questions which concern interests of CEMA countries in trade with capitalist countries. The major task for the near future is the perfection of those forms of the coordination of the activity of the foreign trade organizations of the participating countries of CEMA which have proven themselves in the purchases and sales of commodities in the capitalistic markets, and to recognize in connection with this the necessity for the following:

- a. To increase the role of the meeting of the representatives of the interested foreign trade organizations of the participating countries of CEMA in the coordination of the purchase and sales of the most important goods of the capitalist market, whereby the greatest attention of these

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meetings is to be paid to the development of concrete and agreed tactics and methods of dealing when appearing on the markets in the coming period on the basis of the exchange of past experiences. To hold the meetings concerning the most important commodities, or a group of similar commodities, as a rule once a year. Operational meetings of the experts in the period between the primary sessions are to be held when necessary. It is desirable that the leading functionaries of the foreign trade organizations participate in the principal sessions.

- b. A meeting of representatives of the foreign trade organizations is planned for early 1958 in view of the peculiarity of the coordination of the representations in the export of machines and equipment. This meeting is to be called for the generalization of experiences in the work and the preparation of the proposals for the further improvement of forms and methods of the coordination of appearance in the capitalist markets of the foreign trade organizations for the export of machines and equipment.
- c. In the interest of limiting the concurrent appearances in the market of several foreign trade organizations for the sale or purchase of large amounts of commodities, which would lead to an unhealthy competition and the creation of a disadvantageous turn of the market, the time and place for the appearances in the market are to be agreed upon where necessary.
- d. As a rule it should be determined that, prior to the sale or purchase of large quantities of goods, raw materials or food, consultations be held with the foreign trade organization of that participating country of the Council which purchases or sells the largest quantity of the goods in question, in order to obtain the most advantageous conditions in the sale or purchase of the pertinent goods. Information is to be exchanged concerning firms that were negligent in fulfilling their obligations in trade with the participating countries of CEMA. The extent of goods for which a consultation is required prior to their purchase or sale is to be determined at the meetings of the representatives of the foreign trade organizations. It is to be considered as necessary that large lots of commodities for which a minimal limit for the sales price and a maximum limit for the purchase price has been established, including special discounts and special provisions, be purchased and sold outside the established limits only after approval of the

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foreign trade organizations which participated in the establishment of the limits and which are represented in the applicable market. The order in which the consultations concerning prices is to be carried through should be established at the meetings of the representatives of the foreign trade organizations. This order should not disrupt the fulfillment of the individual operations and of the export and import plans overall. 25X1

- e. To propose to the ministries for foreign trade to increase their control over the price level, on the basis of which the foreign trade organizations export commodities to the capitalist countries, in order not to permit the occasional unfounded drop of prices as compared to the prices at which goods of similar quality are sold by capitalist firms.
- f. Prior to their participation in the negotiations of orders, which are organized in the capitalist countries for the delivery of large amounts of machinery and equipment or other goods, the foreign trade organizations which are interested in participating in the negotiations are to agree upon the conditions and tactics to be used in their participation, by the exploitation for this purpose in the first place of the apparatus of trade representations abroad. Should it become advisable, prior to the beginning of negotiations or meetings of creditors, to make changes in the agreed prices or provisions for delivery, such changes are also to be agreed upon.
- g. The meetings concerning the coordination of the sales and purchases of goods in the capitalistic markets are to be carried out if possible in accordance with groups of similar goods which are carried in the nomenclature of a foreign trade organization; e.g., it would be practical to combine the meetings for the coordination of the sale of cotton and linen cloth, window panes and hollow glass, pharmaceutical products and medicines, and other similar groups of commodities, the purchase and sale of which are now carried out in separate coordination meetings.

A meeting of the foreign trade ministers of the CEMA countries was scheduled for 11 to 13 December 1957 in Moscow. The topics to be discussed were the participation of CEMA countries in capitalist markets by buying and selling therein, and the development and acceptance of a common policy.

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The Work of the Standing Committees

101. In carrying out the decisions of the Seventh Plenum of the Council, all of the committees which had been provided for had been created prior to early 1957. At present there are 13 special standing committees of the Council, for power; coal; petroleum and gas; ferrous metallurgy; non-ferrous metallurgy; geology; chemistry; machine construction; defense industry; wood and cellulose; agriculture; foreign trade; and delivery of complete plant units. On the decision of the Eighth Plenum of the Council, the temporary Working Group for Transportation Matters and the Working Committee for Economic Problems were created, and in November of 1957 the Permanent Working Group for Light Industry was created. In principle it has been decided to form a standing committee for construction.
102. The compartmentalized activity of the standing committees and their predominating interest in scientific-technical problems was criticized by the meeting of the deputies of the representatives of the CEMA countries and particularly by the Eighth Plenum of the Council. The standing committees were not in a position to eliminate or even to ameliorate the deficiencies pointed out at the Seventh Plenum of the Council, and also have not seriously come to grips with this question. One can be certain now that the standing committees have recognized the correctness of the criticism directed at their work, and that as a result of a critical examination of their own activity have come to the same conclusions. In their working plans, all of the committees, in the period after the Eighth Plenum of the Council, have established work for the coordination of the long-term plans up to 1975 as the chief emphasis, with the exception of the committees for foreign trade and delivery of complete plant units, which, as a result of their specific tasks, are not in a position to undertake this task simultaneously with the other committees, but must build their work on the work of the other committees at the necessary time.
103. In a number of the committees the work has been made more difficult by the fact that individual delegations have posed many reservations. Also, in some respects, the great scope of the working plans of the committees is to be attributed to the fact that they represent a certain compromise between the proposals of the delegations. As a result, the secretariats of the standing committees still do not examine sufficiently the proposals of the sections and delegations for the working plans, and disseminate their own proposals and opinions instead. The chemistry committee, under the chairmanship of Winkler, has performed good

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work. It concerned itself from the very inception of its activity with the problem of agreement on the long-term plans. The secretariat of the committee is composed of experts from the most important countries and has understood how to penetrate into the work and to coordinate the tasks of the individual sections.

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104. The Standing Committee for the Coal Industry held its second meeting in October. On this occasion from the chairman there was special criticism to the effect that the proposals of the individual sections for the working plan for 1958 again contained subjects almost exclusively of a scientific-technical character. The work of the sections and working groups at the second meeting of the Standing Committee for Wood and Cellulose was criticized in a similar fashion, and the committee established as the chief tasks of the sections and working groups the coordination of the long-term plans, the increase in the production of barter commodities and the creation of new barter commodities, the mechanization of lumber work, the increase of the production of cellulose, paper, and cardboard by means of improvement of the technology and the modernization of equipment, etc.
105. The Standing Committee for Machine Construction decided at its last meeting on the principle of specialization in machine construction. It must unite two complicated tasks, namely, a judicious and economically based division of labor within the framework of the participating countries in the domain of production of machine construction, which will assure the actual exploitation of the available machine construction capabilities of the participating countries, and at the same time make possible the harmonious development of the machine construction industry of individual countries participating in the Council within the framework of their over-all national economic development.
106. With respect to the standing committee for the exchange of electric power and the exploitation of the waterpower of the Danube, it is to be noted that the committee reached a decision with respect to the exchange of electric power and has requested the governments of the countries concerned to confirm this decision. It will be necessary to submit this question to the meeting of the Council for a decision.
107. The Standing Committee on Delivery of Complete Plant Units, in spite of a number of initial successes, has still failed to come to grips with one of the most important tasks, namely, the coordination of the delivery of complete installations to the underdeveloped anti-imperialist national states. At its last meeting,

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the committee decided to initiate work on the formulation of a methodology for the drawing up of long-term plans. The Polish delegation presented a proposal to the representatives of the committee to extend the delivery of complete installations to the socialist countries.

108. The Standing Committee for Foreign Trade was the last committee created, and consequently, as a result of the special problems which confront this committee, still has a number of difficulties to overcome. In its work up to the present, one can cite the establishment of a unified price system. With respect to the establishment of unified delivery conditions, agreement has been achieved on a number of points. A serious deficiency in the work of the committee is the inadequate initiative and activity of the secretariat of the committee.
109. The Working Committee for Economic Problems following its creation has not yet undertaken its real activity. It still has no secretariat of the committee, and it is still not clear as to whether the Working Committee for Economic Problems or the Secretariat of the Council will undertake the coordinating tasks with respect to agreements on long-term plans. The Standing Committee for Defense Industry was to meet in Moscow on 10 December 1957.
110. At the last meetings of the committees which were held, and in the information presented, it has been established that the coordination of the work of the committees with one another is still relatively weak, which on the one hand is the result of the inadequate and ineffectual work of the secretariats of the committees, and on the other hand the result of the weak and frequently formal work of the Secretariat of the Council with the committees.

CLASSIFICATION AND HANDLING OF CEMA DOCUMENTS

111. In the past there were four categories of classified documents: official use only, confidential, secret, and top secret. The classification was written in the heading of the letter, which received a number under which the document was then registered. This system is no longer applicable: The highest classification now is secret, then confidential, then official use only, and finally unclassified. The classified documents are registered in the secretariat of each of the CEMA deputies and receive a number which is stamped on the top righthand corner of the first page. Also stamped on the first page is the word "secret" or "confidential" as the case may be, plus the number of pages which make up the document. The document also bears the date of registration. A card file is maintained in the secretariat

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which keeps track of the documents. All classified documents must be kept in a safe. The originator of a document has the right to determine its classification. When a document arrives at the CEMA liaison office of the State planning committees of member countries, it is registered again by said office and then distributed to the addressee. Soviet security officials from the Moscow CEMA headquarters visit member countries to inspect the handling of classified CEMA documents.

112. CEMA correspondence is sent to the member countries via the diplomatic courier of member country embassies in Moscow. The CEMA headquarters in Moscow does not have its own radio communications nor own courier service. It relies entirely on embassy channels for both incoming and outgoing dispatches. However, the telephone is frequently used; this is not a special telephone. When the CEMA dispatches are transmitted by diplomatic courier, they are taken to the normal foreign ministry documents distribution center. Then the dispatches are again taken by courier from the foreign ministry to the State planning committee, where they are delivered and registered in the office which is responsible for maintaining liaison with CEMA. This channel does not allow for the intermediary offices to read the correspondence, since all the mail is sealed. Correspondence from the member nations to the Council passes through the same channel in reverse.

Annexes:

1. CHARTER OF THE MEETING OF DEPUTIES OF CEMA COUNTRY REPRESENTATIVES
[redacted] 25X1
2. TABLE OF ORGANIZATION FOR THE SECRETARIAT OF CEMA
[redacted] 25X1
3. CHARTER OF THE CEMA SECRETARIAT
[redacted] 25X1

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ANNEX No. 1CHARTER OF THE MEETING OF DEPUTIES OF CEMA COUNTRY REPRESENTATIVESPreamble

The meeting of the deputies of the representatives of the CEMA countries, created by the decision of the 4th Plenary Session of CEMA, is the permanent working organ of the Council, which has the purpose of contributing in every way to the realization, expansion, and strengthening of economic and scientific-technical collaboration between the participating countries of the Council, pursuant to the principles of multilateral economic collaboration on which the activity of CEMA is based.

In the name of the full members of the Council, the session of the deputies conducts the work of the organs of the Council and coordinates it in its main tasks.

The meeting of the deputies of the representatives of the CEMA countries makes decisions and works out the proposals which are aimed at the accomplishment of the decisions of the Council. It deals with the proposals which are presented by the countries, the Secretariat of the Council and other organs of CEMA, and makes decisions concerning these within the framework of its jurisdiction, or presents them to the representatives of the CEMA countries in the plenary session or meeting of the representatives for decision.

Tasks and Functions

1. In accordance with the above, the session of the deputies has the following tasks and functions. The session of the deputies:
 - a. In order to take timely and necessary measures, observes the fulfillment of the decisions and recommendations of the Council, particularly through the receipt of information from the countries concerning the progress of the fulfillment of the decisions of the Council, as well as working out the corresponding proposals, which, when necessary, are brought before the Council for consideration.
 - b. Coordinates and guides the work of the standing committees and of the other organs of CEMA for economic and scientific-technical cooperation. In order to gather experience and to concentrate the attention of the standing committees on the solution of the most important problems, it discusses the working plans of the committees and all reports of the chairmen of the standing committees on the work performed by the committees and introduces thereon the necessary recommendations and proposals; also, it periodically treats

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the information of the Secretariat of the Council concerning the work of the committees.

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- c. Organizes the work to be accomplished within the framework of the Council on multilateral bases with the participation of the State planning organs of the countries, the ministries, and the standing organs of the Council, for the coordination of the developmental plans of the major interrelated branches of the national economy of the countries and of the plans for the mutual delivery of the most important commodities; and it participates in the working out of recommendations with respect to these questions.
- d. Discusses questions which lie within the jurisdiction of the standing committees, which are important questions of scientific-technical and economic collaboration either for one country or for a number of countries.
- e. Discusses questions concerning the improvement of work in the domain of scientific-technical collaboration which touch on the interests of a number of participating countries of CEMA.
- f. Organizes for use in the countries the results of analyses and information on the most important economic problems, in particular concerning the uncovering of additional possibilities which concern international economic collaboration; it also deals with questions of new techniques, productivity of labor, the cost of production, prices, etc.
- g. Organizes the work for improvement and agreement with respect to the methodology for specific economic problems which touch on the interests of a number of participating countries of the Council.
- h. Organizes the work for the exchange of mutual information between the participating countries of the Council concerning economic and scientific-technical questions; it develops the basic data prepared for distribution by the Secretariat of the Council.
- i. Organizes the preparatory work and discusses in tentative manner the drafts of proposals, decisions, and other basic material which will be presented by the Secretariat and other organs of the Council for discussion at the session of the Council.
- j. Contributes to the enlightenment of public opinion concerning the results of the multilateral economic and scientific-technical collaboration and the mutual assistance of the

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participating countries of the Council.

- k. Discusses the comprehensive working plans of the organs of the Council and introduces thereto when necessary recommendations and proposals; receives information on the Secretariat of the Council concerning their fulfillment; it also confirms the basic questions of the working plans of the Secretariat of the Council.
- l. Discusses and confirms the budget and table of organization of the Secretariat of the Council, the reports concerning the fulfillment, and organizes at least once a year the review of the fulfillment, of the budget plan of the Secretariat of the Council.

Composition and Procedure

2. The session of the deputies consists of the deputies of the representatives of the participating countries of the Council on the basis of one from each country.

In the absence of the deputy of the representative of a country, a person appointed by the deputy of the representative fulfills his function temporarily.

Participating in the meetings of the deputies of the representatives of the countries are the Secretary of the Council and his deputy.

The advisors of the representatives of the countries participating in the Council, as well as the advisors and other members of the Secretariat of the Council in the order laid down by the meeting of the deputies, can participate in the meetings of the deputies.

3. The decisions of the meetings of the deputies are made by agreement of the interested countries so that every country has the right to make known its interests with respect to every question discussed by the meeting. The decisions of the meetings of the deputies are recorded.
4. The meetings of the deputies work on the basis of their own plans.
5. The chairmanship of the deputy meetings is held alternately by each deputy for a period of three months each.
6. The meetings of the deputies take place as necessary, but at least twice a month.

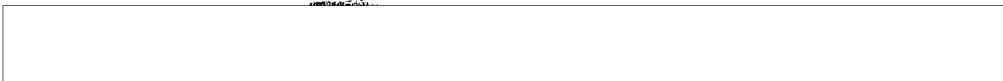
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7. The meetings of the deputies can create for the working out of individual questions temporary committees and working groups to which the deputies of the representatives of the countries in the Council, specialists from the countries, and members of the Secretariat may belong.
8. The permanent meeting place of the deputies of the representatives of the CEMA countries is Moscow.

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ANNEX No. 2

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TABLE OF ORGANIZATION FOR THE SECRETARIAT OF CEMA
(Established on 16 November 1957)

	<u>Planned Positions</u>	<u>Existing Positions</u>
Secretary of the Council	1	1
Deputy	2	2
Assistant to the Secretary	1	1
Protocol Officer	1	-
Section for Legal and Editorial Questions	3	-
Lawyer for International Questions	1	-
Senior Referent (advisor)	2	-
<u>Advisors and Referents for the Various Branches of the National Economy</u>		
Coal Industry		
Advisor	1	1
Referent	1	-
Petroleum Industry		
Advisor	1	1
Referent	1	-
Power		
Advisor	1	-
Ferrous Metallurgy		
Advisor	1	-
Non-Ferrous Metallurgy		
Advisor	1	-
Senior Referent	1	-

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	<u>Planned Positions</u>	<u>Existing Positions</u>	25X1
Chemistry			
Advisor	1	1	
Referent	1	- 41	
Machine Construction			
Advisor	1	1	
Senior Referent	1	1	
Wood and Cellulose			
Senior Referent	1	1	
Light Industry			
Advisor	1	1	
Referent	1	1	
Agriculture			
Advisor	1	1	
Referent	1	- 41	
Building Industry			
Advisor	1	1	
Communications			
Advisor	1	1	
Section for Economic Relations			
Advisor	1	1	
Referent for International Organizations	1	1	
Referent for Foreign Trade	1	- 41	
Section for <u>Valuta</u> and Financial Problems			
Advisor	1	1	25X1

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	<u>Planned Positions</u>	<u>Existing Positions</u>	25X1
Economic Department			
Department Head	1	-	
Section for Economic Survey			
Advisor on the Economy of the Member Nations of CEMA	8	8	
Section for Summarized Information			
Chairman	1	-	
Economists	3	-	
Senior Referent and Referent	2	2	
Section for Statistics			
Chairman	1	1	
Experts-Statisticians	2	2	
Senior Referent and Referent	5	2	
General Administration			
Chairman	1	1	
Economic Section	10	5 + 5	
Typing Clerks	10	7 + 3	
Interpreters	9	8 + 1	
Special Department, Confidential Matters	3	2 + 1	
Shipping Section	2	1 + 1	
Library	2	1 + 1	
Technical Secretaries	10	10	
Bookkeepers	4	3 + 1	
TOTAL	108	71	

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ANNEX No. 3

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CHARTER OF THE CEMA SECRETARIAT

Preamble

The Secretariat of the Council created by decision of the 4th Plenary Session of CEMA is an organ of CEMA which accomplishes systematic preparatory and organizational work designed to secure the most fruitful activity of CEMA and its organs and improvement of the forms and methods of multilateral economic collaboration.

Tasks and Functions

1. Pursuant to the above, the Secretariat has the following tasks and functions:
 - a. Prepare proposals and basic materials for CEMA sessions and the meetings of the deputies and carry out in accordance with the order laid down by the Council preparatory work for the convoking of the plenary meetings and the meetings of the deputies, and organize the convoking of these plenary sessions and sessions of the deputies.
 - b. Secure the preparation of the basic materials which are required for analysis and for information concerning the most important economic problems, and for questions of methodology for the solution of individual economic problems of interest to a number of countries, as well as for other anticipated problems resulting from the decisions of the Council sessions and the sessions of the deputies.
 - c. Participate in the tasks of preparing the basic materials and recommendations concerning the coordination of the developmental plans for the major interrelated branches of the national economies of the countries within the framework of CEMA, and for the plans concerning the mutual deliveries of the most important commodities, which are to be carried out by the State planning organs of the countries, the ministries, and the permanent organs of CEMA on the basis of varied requirements.
 - d. Organize the preparation and execution of the various sessions concerning other questions of economic and scientific-technical collaboration, which touch on the interests of a number of countries and which do not come under the jurisdiction of the standing committees.

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- e. Develop practical recommendations which deal with the solution of questions of interest to the countries, as well as the perfecting of the forms and methods of multilateral economic and scientific-technical collaboration, and disseminate them to the representatives of the countries in CEMA or to the sessions of the deputies for discussion. 25X1
- f. Receive from the participating countries of CEMA economic plans as well as informational statistics and other basic materials which are essential for the work of the Council and its organs in accordance with the established decree. Receive corresponding materials from the standing committees of CEMA and from the other organs of CEMA.
- g. On the basis of basic materials from the countries, present surveys of the economies of the countries, statistical quarterly and annual bulletins on the fulfillment of the economic plans of the countries in industry, capital investments, agriculture, transportation, foreign trade, achievement in other branches of the national economy, and on questions of economic and scientific-technical collaboration; prepare synopses of basic materials received from the countries as required. ✓
- h. Oversee the work of the standing committees for economic and scientific-technical collaboration and render the necessary help to the committees and the independent working groups in their work. It prepares periodic, comprehensive reports on the activity of the committees and prepares, in necessary cases, proposals pertinent to the work of the committees in order that they may be discussed at the meetings of the deputies, or in the plenary sessions. ✓
- i. Prepare comprehensive working plans of the organs of CEMA on the basis of their decisions and of the proposals of the countries, and submit them to the meetings of the deputies for discussion; it also informs the meetings of the deputies with respect to the fulfillment of these plans, and disseminates to the meetings of the deputies the most important questions of the working plans of the Secretariat of CEMA for confirmation.
- j. Organize the promotion of the fulfillment of the decisions of the plenary sessions, the sessions of the deputies, and the standing committees, and disseminate to the meetings of the deputies, and in necessary cases to the plenary session, information concerning progress with respect to the fulfillment of these decisions. 25X1

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- k. Organize for mutual information, as well as for the development of an agreed line, the exchange of opinions between representatives of the interested participating countries of CEMA concerning the most important questions discussed in international economic organizations. 25X1
- l. Contribute to the development of the basic materials requisite for the informing of public opinion concerning the results of the multilateral economic and scientific-technical collaboration and mutual assistance of the participating countries of CEMA.
- m. Prepare the drafts for the budget and table of organization of the CEMA Secretariat, report on their fulfillment, and present them to the meetings of the deputies for confirmation.
2. The secretary of the Council and his deputies represent the Council for Economic Mutual Assistance vis-a-vis official persons and organizations of the participating countries of CEMA, vis-a-vis official representatives of other countries and international economic organizations and meetings, and undertake when necessary the suitable contacts with them.

Composition and Procedure

3. The Secretariat of CEMA consists of the Secretary of the Council, his deputies, the necessary number of highly qualified specialists from the participating countries in CEMA, and the technical personnel. The responsible secretaries and other members of the apparatus of the standing committees are an integral part of the CEMA Secretariat.
4. The Secretary of CEMA and his deputies can address themselves directly to the representatives of the countries in CEMA with questions concerning the work of CEMA and its organs.
5. The Secretary of CEMA directs the activity of the Secretariat of CEMA.
6. The Secretariat of CEMA guides its work on the basis of plans which it has worked out, and which in its main questions will be confirmed by meetings of the deputies. The Secretariat of CEMA reports periodically to the meeting of the deputies on the fulfillment of the working plans, and reports annually to the representatives of the countries in CEMA concerning the work of the Secretariat.

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7. The expenses of the Secretariat are covered by the participating countries of CEMA in accordance with the decree of the Council.
8. The seat of the Secretariat of the Council is Moscow.

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