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DIRECTORATE OF INTELLIGENCE

7 June 1984

USSR-Eastern Europe: Approaching the CEMA Summit

Summary

Moscow probably will use the Council for Mutual Economic Assistance (CEMA) summit set to begin on 12 June as a platform for displaying Bloc unity on political and strategic issues against the West. Although the party leaders will try to put the best face on it, the economic aspects of the long-delayed meeting--the first CEMA summit in 15 years--have been largely diluted by disagreements unresolved despite lengthy preparations. The USSR's original purpose was to achieve agreement on increased economic integration and to reduce the cost of its support for Eastern Europe; the East Europeans generally hoped that they could obtain additional help from Moscow to solve their economic problems. Reporting on the agenda and the preparations indicates that neither side is likely to achieve its objectives: Eastern Europe apparently has fought off the USSR's drive for greater integration, but Moscow has not relented on the terms for future energy and raw materials deliveries to its allies. The summit is likely to produce broad statements endorsing CEMA cooperation and perhaps some relatively minor economic agreements. [redacted]

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This memorandum was prepared by [redacted] East European Division, Office of European Analysis, [redacted] Soviet Economy Division, Office of Soviet Analysis, with contributions by [redacted] East European Division, Office of European Analysis, and [redacted] Policy Analysis Division, Office of Soviet Analysis. Comments and questions are welcome and should be addressed to [redacted] Chief, East European Division, EURA, [redacted] or [redacted] Chief, Soviet Economy Division, SOVA, [redacted].

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We expect that the lackluster economic content will combine with current Soviet international concerns to shift the spotlight to political issues. Meeting just days after the West's London summit, the CEMA leaders may respond to statements and initiatives agreed upon by the Western leaders. This will be Chernenko's first meeting with East European party leaders since Andropov's funeral, and they will probably cover a wide range of issues. Chernenko will likely press for a statement highlighting Bloc unity in the face of poor East-West relations and possibly will deliver a harsh rhetorical attack on the US. [redacted]

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The Soviets risk the embarrassment of a contentious meeting if they try to get more. If Moscow renews its push for integration, imposes new cuts in oil deliveries, or presses too hard for East European exports, the East Europeans may unite to mount strong resistance. We believe that the importance of presenting a united front at the summit will lead the Soviets to yield on some of their economic objectives. Papering over their differences, however, means that the leaders will not produce a forceful blueprint for overcoming the region's economic problems. Tensions within the Bloc over economic questions are likely to continue to rise and to corrode the Soviet relationship with Eastern Europe. [redacted]

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Introduction

After repeated postponements, a CEMA economic summit meeting is scheduled to begin on 12 June.¹ This first CEMA summit since 1969 will mark the first meeting of Soviet General Secretary Chernenko with all of the leaders of the Warsaw Pact East European countries. The summit will give Moscow and its allies a forum to present a united front against the West by announcing Bloc unity on major political and economic issues.

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This memorandum describes the political and economic setting in which CEMA operates--a setting of conflicting economic interests, aggravated by economic problems within Eastern Europe and the USSR. It then reviews the perspectives and motivations the Soviets and East Europeans will take to the summit. In broad terms, the Soviet focus is on long-term economic integration and political unity as well as on keeping the economic burden of Eastern Europe from rising. The East Europeans are interested in resolving such short-term trade issues as the price and quantity of the goods they import from the USSR. Finally, the paper discusses what we expect to be accomplished at the meeting.

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The Economic and Political Setting

The intra-CEMA relationship has long been marked by conflicting interests. The East European countries have tried to exploit their relationship with the USSR without sacrificing

¹ CEMA members include the USSR, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Mongolia, Vietnam, and Cuba.

control over national economic decision-making. In the process, they have played both sides of the fence --drawing heavily on Western credits to help modernize their industries while relying on the Soviets to provide energy and raw materials on concessionary terms. The USSR has long tried to promote economic integration within CEMA to enhance its economic base, to promote greater specialization of production, and to increase Moscow's authority in Eastern Europe.

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The last CEMA summit in 1969 provided some dynamism by launching what was to become the Complex Program for Socialist Economic Integration and by creating institutions to promote multilateral trade and investment projects. Several major joint projects were underway by the mid-1970s, but the momentum quickly faded because of failure to remove longstanding internal CEMA trade obstacles and East European suspicions of Moscow's intentions. And in the early 1970s, detente provided more attractive opportunities for these countries to trade with the West.

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The summit will take place against the backdrop of declining Soviet economic support for Eastern Europe. From the mid-1970s through 1981, Moscow provided increasing support mainly in the form of oil price discounts and low-interest trade credits (see Table 1). But over the past two years the East Europeans have been hit by large increases in the price of Soviet oil, reductions in the volume of Soviet oil deliveries, and less Soviet willingness to tolerate large East European trade deficits.²

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Table 1
Soviet Assistance to Eastern Europe
1975-1983
(US \$ Billion)

	Annual Oil Subsidies ^a	Annual Trade Surplus	Total Annual Assistance to EE
1975	1.8	0.8	2.6
1976	2.5	1.2	3.7
1977	2.1	1.9	4.0
1978	1.1	0.2	1.3
1979	2.8	1.6	4.4
1980	9.7	2.8	12.5
1981	9.7	4.4	14.1
1982	6.3	2.7	9.0
1983	<u>1.6</u>	<u>2.2</u>	<u>3.8</u>
TOTAL	37.6	17.8	55.4

^a In 1975, CEMA adopted an interim pricing system which based the price on the previous three-years' prices; since then oil prices have been based on a moving average of world oil prices in the previous five years. Values are based on average unit prices.

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The tougher Soviet policy comes at a bad time for Eastern Europe, which is just beginning to emerge from the serious financial crisis of 1982-83. Difficulties in raising hard currency credits forced Eastern Europe to shift its hard currency trade from chronic large deficits to sizable surpluses by slashing imports. Although the region is beginning to enjoy a slight improvement in creditworthiness and a revival of hard currency trade, financial pressures remain severe on most regimes. Trade and financial difficulties with the West have figured prominently in Eastern Europe's attitude toward the summit. In general, the regimes have wanted the USSR to substitute as much as possible for the goods and capital no longer available from the West.

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Many of Eastern Europe's present economic difficulties derive from past Soviet policies. By exchanging oil for manufactured goods from its allies, the USSR created a dependency which the East Europeans now find difficult to sever. By pressing the East European countries to adopt the Soviet economic model, Moscow helped create economic systems that in general were no better than its own and that for the most part produced goods which could find markets only in other Communist countries. The Soviets indirectly contributed to the current debt problems of some of its allies by encouraging the East Europeans to trade

² Soviet attempts to ease the burden of Eastern Europe are not new. Beginning in about 1960 the Soviets began holding back the exchange of raw materials, semimanufactures, foodstuffs, and consumer goods. And Soviet domestic needs resulted in a decline in net deliveries of materials to Eastern Europe in the early 1970s. (See Edwin Snell, "East European Economies Between the Soviets and the Capitalists," East European Economies Post-Helsinki, JEC, 25 August 1977.)

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with the West in the early 1970s in order to partake of the "scientific-technical revolution" and to obtain from the West raw materials and agricultural products that the USSR found increasingly difficult to supply. As a result, Eastern Europe's need for Soviet help has increased just at a time when Moscow--faced with its own domestic economic problems--wishes to reduce its assistance.

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While all CEMA countries agree that a summit is necessary to consider solutions to their growing economic problems, they differ substantially on what the solutions should be. The Romanians first proposed a summit four years ago (see Appendix A). After first objecting, Moscow endorsed such a meeting and seized the initiative in organizing it. Planning for the summit was delayed by disagreements over the agenda. By late 1983, the agenda was set, according to US Embassy in Moscow, but the summit could not be scheduled because of Andropov's illness. In a brief meeting with East European party chiefs following Andropov's funeral in February, new Soviet leader Chernenko said that he intended to convene the summit as early as possible. Finally, in April, First Deputy Foreign Minister Korniyenko announced that the meeting would be held in Moscow in June.

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The Bloc leaders will convene at a time when the Soviets are pursuing a tough line on East-West relations and are pressing for Bloc solidarity against the West. While the Soviets still express high interest in East-West trade, they have delivered harsh attacks against US policies in recent bilateral exchanges with Western delegations, and have criticized West European

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governments for supporting Washington. The Soviets have persistently sought East European endorsement for their hardline policies. []

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Moscow's East European allies are uneasy with the USSR's tough stance on East-West relations.³ Over the past year, some East European states have repeatedly balked at endorsing harsh anti-Western rhetoric. Soviet missile deployments in Eastern Europe and the Olympics boycott have spawned discord within the Bloc and are likely to influence the climate of the summit. []

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What the Soviets Want

The USSR's economic objectives are closer CEMA integration and a reduction in the economic burden of Eastern Europe on the USSR. Enhanced CEMA integration, a favorite Soviet theme, encompasses a more closely coordinated economic policy, and more joint projects, production synchronization, and international specialization. Moscow is pushing technical and scientific cooperation through joint companies in which expertise and investment from several countries are joined in a single plant or series of plants. The Soviets also want more direct contact between enterprises in East European countries producing similar goods or components for the same products. []

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Moscow's push for closer integration is aimed at achieving economies of scale, avoiding duplication, and tightening the

³ A forthcoming typescript memorandum will provide a more complete assessment of recent discord within the Soviet Bloc. []

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economic cohesion of the alliance. The Soviets see joint investment projects as the only long-term solution to Eastern Europe's demands for more raw materials and lower prices. Moscow appears increasingly suspicious of potential Western leverage over Eastern Europe and has cited Western sanctions and economic conditions as reasons for the CEMA countries to turn inward.⁴



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Moscow's concept of closer integration gives the USSR the lead role in controlling and coordinating the bloc's activities. Moscow is CEMA's focal point and is reluctant to share power with its partners. CEMA continues to operate under a series of bilateral agreements under the Soviet umbrella rather than as a multilateral economic community. While the Soviets insist that integration would not infringe on Eastern Europe's sovereignty, they have offered little to reassure the East Europeans.

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Moscow also wants to curtail its generosity toward Eastern Europe. The Soviets have stepped up their complaints on the inadequate volume and poor quality of goods they receive from Eastern Europe. In late 1983, Soviet Prime Minister Tikhonov issued a stern warning that Moscow's deliveries of raw materials, vital to Eastern Europe, were contingent on how well the CEMA countries satisfied Soviet needs. More recent reporting has revealed a toughening Soviet posture vis-a-vis the East European

⁴ Soviet Premier Tikhonov warned his East European counterparts at the CEMA ministerial meeting last October against relying on trade and economic cooperation with the West. He claimed the Western sanctions in the wake of events in Afghanistan and Poland demonstrated the dangers of such a course and demanded greater cooperation between CEMA members to reduce their vulnerability to future Western attempts at economic reprisals.

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countries with respect to energy and raw materials deliveries and prices as well as the mix and volume of commodities expected in return.

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Moscow's attitude reflects slow economic growth at home and reluctance to support countries with higher standards of living than its own. A succession of Soviet leaderships has grappled with the question of how much economic assistance is necessary to assure political stability in Eastern Europe, and Moscow apparently has concluded that a gradual reduction of support is safe. At the summit, Chernenko's positions on trade issues-- pricing, oil deliveries, trade flows--are likely to reflect the desire to maintain or accelerate the recent trend of declining Soviet subsidies.

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For the longer run, the Soviets probably are interested not only in reducing or stopping the flow of economic benefits to Eastern Europe, but also in reversing it. A large soft currency debt to the USSR has accumulated from the Soviet trade surpluses with Eastern Europe, and Moscow may begin pressing for repayment.

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East Europe Tries to Hold the Line

Moscow's allies have focused on narrower economic and trade issues and have tried to water down the Soviet agenda with its emphasis on integration.⁵ Eastern Europe's goal is to obtain more Soviet economic support to help overcome external and

⁵ See Appendix B for a more complete discussion of individual views of the East European CEMA members.

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domestic economic problems. With the possible exception of Romania, Moscow's allies probably see no realistic hope for major increases in Soviet deliveries or for a new concessionary price formula. Although they may ask for more concessions, the best they can hope for is probably no more cuts in oil deliveries and continuing trade credits. They may even be satisfied if Moscow announces its plans and offers commitments for deliveries, which would at least eliminate the uncertainty plaguing East European planners.

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The East Europeans see serious economic and political dangers in further integration.

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The international division of labor that Moscow advocates implies concentration on industries or sectors like agriculture that the East Europeans want to avoid. The regimes fear that their economic relations with the West are jeopardized not only because the push for integration could force reorientation of their economies, but also because Moscow has advocated a policy of limiting trade with the West. Hungary has fought most forcefully to maintain ties to the West, and most of the others want to keep their options open. Czechoslovakia is the chief exception: a recent Rude Pravo article strongly criticizes neighboring countries that try to "acquire unilateral advantages from the capitalist world."

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The East Europeans sometimes act as a bloc to counter the USSR on important issues in CEMA, but there are significant differences at this summit among them because of the diversity of their:

- political and ideological proximity to Moscow;
- dependence on trade with the West;
- levels of economic development; and
- structures of production.

Agricultural exporters (Hungary, Bulgaria, and Romania) favor higher food trade prices against the interests not only of the USSR, but also of East Germany and Czechoslovakia. While Sofia and Bucharest are on opposite ends of the spectrum in terms of East European loyalty to Moscow, both want to protect their industrialization programs against any Soviet push to make them CEMA's breadbasket. Bulgaria and Romania--the least developed countries--also agree that CEMA should promote a leveling of the member economies through aid from the most developed to the least developed countries. East Germany and Czechoslovakia have the most industrialized economies in East Europe and share similar views on several trade and economic issues. Prague's recent attack in Rude Pravo, however, applies to East Berlin's economic relations with West Germany as well as to Hungary's aggressive pursuit of trade links with the West. The Poles have been reticent on CEMA issues, but are probably still interested in having allies finish investment projects abandoned by Western firms when Warsaw ran out of money.

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What We Expect

Political issues will certainly figure prominently in the CEMA summit. We believe Moscow sees the need to face the West with a united and firm alliance, and most of the East Europeans probably will go along if the rhetoric is not too harsh or specific. The emphasis on politics is likely to be reinforced by the need to fill the gap left by little progress on the economic issues. [redacted]

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Soviet and East European comments indicate that the Soviets plan to use the summit as a forum for harsh attacks on the West, especially the US, regarding INF and other foreign policy and security issues. According to sources of the US Embassy in Budapest, Hungarian officials view the summit as a political exercise to demonstrate Chernenko's leadership. The timing of the summit, just after the Western economic summit in London, argues that the CEMA leaders will place a high premium on displaying political unity against a "menacing" West. They will be watching the Western summit closely to react to Western declarations on international issues and to exploit any differences between the US and the West Europeans. In their public statements the Soviets are likely to note with approval the economic progress made by the CEMA countries and contrast their success with Western economic problems such as high unemployment. [redacted]

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Despite differences with Moscow, most of the East Europeans probably will not want the summit to be, or even appear to be acrimonious. The divergence of views and interests on both

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economic and political issues is likely to lead to sharp exchanges behind the scenes, however, and the leaders probably will not be able to hide this from outside observers. As usual, Romanian President Ceausescu is most likely to frustrate a Soviet bid for unity.

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In terms of CEMA economic issues, the summit is not likely to result in major new policy initiatives or in a reconciliation of differences between the Soviets and the East Europeans. Moscow circulated a proposal in early 1983 calling for sweeping changes in CEMA which met strong opposition from the East Europeans. East European officials claim that their objections have held and that the coordinated document for the summit will be a much-diluted statement that will not infuse much dynamism into CEMA. According to the US Embassy in Prague, a Romanian diplomate said in early June that the economic document will be very general--"taking up a lot of space but changing little or nothing." Neither the Soviets nor the East Europeans have shown much willingness to compromise or to negotiate across issues.

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While the East Europeans appear to have deflected the Soviet drive for further integration, they probably can claim few if any gains on trade issues. Moscow seems unswervingly tough, insisting that its allies gradually wean themselves from Soviet oil and other raw materials supplied on concessionary terms. We believe the Soviets are likely to divert East European requests by insisting that negotiations be handled bilaterally.

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Even knowledgeable Soviets view major gains for either side

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with a dubious eye. In a discussion with a US embassy officer in late 1983, a senior official of the USSR's leading institute on Bloc economic issues expressed little hope for favorable resolution of the serious problems facing CEMA. He believed that specialization is not working, not only because the countries prefer self sufficiency, but also because they do not wish to invest in producing goods for other CEMA countries. []

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The leaders may reach agreement on a few relatively minor issues which they can cite to laud the summit's success.⁶

New Gas Pipeline. A joint investment project the Soviets may highlight is the construction of a new gas pipeline, but probably no more than a preliminary agreement will be announced. The large-capacity pipeline, which the CEMA Planning Committee discussed in late March, would run 4,700 km from Western Siberia into Eastern Europe. The US Embassy in Moscow reports that Hungary is willing to purchase additional gas, but will try to avoid contributing construction services. []

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CEMA-EC Ties. Sources of the US Embassy in Hungary report that the summit will issue a declaration proposing resumption of CEMA's stalled negotiations with the EC on a trade agreement, ostensibly to show the Bloc's interest in expanding contacts with Western Europe. The Hungarians, however, believe the Soviets' real motive is to block East European bilateral talks with the EC by shifting them to a multilateral forum. []

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⁶ The leaders may devote some attention to issues such as transferable ruble convertibility and aid to the less-developed CEMA members Vietnam, Cuba, and Mongolia. Reporting does not indicate that these subjects have figured prominently in the summit preparations, but they are of longstanding importance to CEMA. []

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Enterprise cooperation. There is an apparent consensus that ties between enterprises in different countries should be facilitated and strengthened, presumably by bypassing the foreign trade and planning bureaucracies. The Soviets, East Germans, Hungarians, and Poles have advocated more direct links at lower levels, and we know of no opposition to this. Establishment of joint enterprises may be another mechanism for facilitating cooperation.

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High Technology. There seems to be general agreement to make headway on the development and application of high technology. The East Europeans, who stress the importance of new technologies to improving economic performance, share Moscow's concern about reducing the Bloc's vulnerability to Western export controls. High-level CEMA meetings in recent years have announced new programs for cooperation in microelectronics, robotics, and computers. We have no information that new programs or mechanisms for cooperation will be launched, but at a minimum the leaders are likely to cite the progress on existing programs.

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On the toughest issues, however, wide differences apparently remain:

Trade pricing. Although Czechoslovak sources say that a shift from a 5-year to a 3-year moving average for calculating CEMA prices is under study, we have no evidence that this will be approved at the summit. Moreover, because CEMA prices have largely caught up with world prices, the impact would not be great and it is not clear which members would gain. One possible

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change is that prices of agricultural products will be negotiated bilaterally, which almost certainly would raise them.

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Planning. The East Europeans apparently have deflected Moscow's effort to increase integration by instituting more joint planning and closer coordination of members' domestic economic plans. East European diplomats in Moscow say that little change in the planning process is likely as discussions of 1986-90 plans begin. There may also be talk of formulating plans out to the year 2000.

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Oil Deliveries. Moscow is unlikely to make commitments for the 1986-90 period with planning at such an early stage and the issue of oil supplies so sensitive. A Soviet institute official recently stated that the USSR's oil allocation priorities are (1) defense, (2) agriculture, (3) chemical industries, and (4) exports to CEMA and hard currency markets. In view of these priorities, the Soviets may propose cuts in oil deliveries to CEMA and repeat their admonitions on wasteful use of oil. In any case, the Soviets are likely to continue to negotiate oil deliveries on a bilateral basis.

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Progress on some of these issues is possible at the summit, but the leaders probably prefer to give a top-level stamp of approval to already prepared documents rather than to engage in tough negotiations. The contentious nature of the issues, however, seems to insure tough talks. Indeed, the summit of party leaders has become necessary because of failure to resolve these issues at the government and expert levels.

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Holding the summit has become a risky venture with potential

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for Soviet embarrassment. The rarity of a bloc economic summit raises high expectations, and the several postponements amid open squabbling over basic goals and policy have put further pressure on CEMA to show progress. If few concrete economic agreements or initiatives emerge, the summit could prove a disappointment and show that the meeting was held only to feign a show of East Bloc unity in the face of the Western leaders' summit. Even more embarrassing would be open wrangling between Chernenko and some East European leaders. If the Soviets renew their push for integration, try to impose new cuts in oil deliveries, or press too hard for East European exports, the East Europeans may unite to mount strong resistance. This could frustrate Moscow's goal of Bloc unity.

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If our expectation of no major progress on longstanding CEMA issues proves correct, the failure of the summit will reduce the likelihood that the region's economic problems--and Soviet-East European tensions--will be eased in the next few years. Lack of a forceful mandate from the leaders will impede lower level officials from seeking resolution of CEMA problems. While Moscow can continue to reduce the cost of its alliance, it can claim neither the satisfaction of bailing out Eastern Europe when the West turned away, nor of drawing its allies more closely in a net of increased economic integration. For their part, the East Europeans, without crutches in the form of net resource flows from East or West, will be left on their own to deal with economic problems, and tensions are likely to grow and corrode the Soviet relationship with Eastern Europe.

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Appendix AChronology of Summit Planning

June 1980	Romania proposes summit at 33rd CEMA Council Session
February 1981	Brezhnev endorses summit at 26th CPSU Congress
March 1982	Czechoslovak official says that summit agenda is far from complete.
June 1982	Czechoslovakia's Premier Strougal renews call for summit at 35th CEMA Council session.
October 1982	Pravda article outlines Soviet views; Hungarians call for postponement until 1983 so that "radical reforms" can be developed; several sources say meeting will be in early 1983.
April 1983	Party economic secretaries fail to agree on agenda, dealing a setback to plans for a spring 1983 summit.
September 1983	Bulgarian official says summit will be held in October shortly after the CEMA session. Agreement on pricing of agricultural products reportedly completes the preparations.
October 1983	In East Berlin, CEMA premiers announce that summit preparations are completed, but no date is set.
January 1984	The Yugoslav press and several East European sources say that Andropov's illness has delayed setting a date.
February 1984	After Andropov's funeral, new leader Chernenko tells East European leaders that he wants to schedule the summit in April or May.
April 1984	Following Central Committee and Supreme Soviet meetings, Soviet Deputy Foreign Minister Korniyenko announces to the Western press that Moscow will host the summit in June.

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Appendix B

East European Views on CEMA and the SummitBulgaria

Although Sofia is generally the USSR's loyal ally in Eastern Europe, the Bulgarians have significant differences with Moscow on CEMA. Along with Romania and Hungary, Bulgaria pushed Moscow hard for higher agricultural export prices last year. Sofia is the most dependent economically on the USSR, and perhaps most concerned about tougher Soviet attitudes on future economic support. The Bulgarians support economic integration in general, but worry that Moscow will dictate that Sofia concentrate on agriculture rather than manufacturing.

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Czechoslovakia

Prague has long been one of the most enthusiastic supporters of CEMA integration. The Czechoslovaks' chronic complaint has been that other members--including the USSR--often fail to meet delivery commitments in CEMA projects. Czechoslovakia has a major role in manufacturing equipment for nuclear power plants in CEMA--an effort that has lagged badly because of the failure of other countries to supply components. Prague's major objective thus has been to improve participation under existing mechanisms and programs rather than to approve new initiatives. A recent article in Rude Pravo--reprinted in the Soviet press--indicates that Czechoslovakia will be Moscow's strongest ally at the

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summit. The article sharply attacked those socialist countries that experiment with reforms contrary to the Soviet model and those that cultivate economic ties with Western countries.

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East Germany

East Germany generally has sided with the USSR and Czechoslovakia on most CEMA issues, emphasizing that other members must fulfill their delivery commitments in CEMA. East Berlin, however, does not share Prague's suspicions about economic relations with the West. The East Germans say that their main objective at the summit is to maintain "elbow room" to protect their improved relations with Bonn. The GDR also wants better compensation for the technology it provides to other CEMA members. East Germany regards CEMA cooperation in computer technology as vital, and sees its own role as concentrating on software.

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Hungary

The Hungarians have been the most innovative in proposing changes for CEMA. They have advocated convertibility of the transferable ruble, movement toward multilateralism in trade, more rational pricing, and economic reforms by the other members. Budapest's motivation in this summit is likely to be damage limitation--fending off Soviet proposals for supranationality and integration. The Hungarians are also concerned that the USSR will reduce economic support by buying less Hungarian meat for hard currency and by reducing Moscow's

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soft currency trade surplus. The Hungarians are certain to oppose summit decisions that would interfere with their freedom to trade with the West. On most of these issues, Hungary will line up with Romania.

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Poland

Despite the highly-publicized "reorientation" of its economy toward the East as a result of its financial crisis and Western sanctions, Warsaw has shown little interest in the summit or in CEMA issues in general. The Polish press, still one of the most open in Eastern Europe, did not even mention the summit until last November. Poland has enjoyed substantial economic support from Moscow during its economic crisis. The Soviets ran huge surpluses in 1981-82, but the imbalance declined substantially last year. Moscow, nonetheless, is still giving special treatment to Warsaw through a recent agreement to defer repayment of Poland's debt to the USSR and to supply additional quantities of oil and grain.

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Trade issues are likely to dominate Warsaw's perspective at the summit, although it is possible that the Poles will support some of Moscow's structural aims. At last October's CEMA session, General Jaruzelski spoke out against "excessive economic relations with capitalist countries," citing Poland's "bitter experiences." While little information is available on its specific provisions, we expect that the agreement on long-term economic cooperation concluded during Jaruzelski's early-May visit to Moscow may be a model of what the Soviets would like to

establish with other CEMA countries.

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Romania

Bucharest has been the rebel in CEMA ever since rejecting Moscow's attempt in the early 1960s to force Romania to concentrate on agricultural development at the expense of industrialization. Romania stresses national interests and the sovereignty of individual CEMA states and has opposed Soviet attempts to make CEMA a more supranational body. The word integration itself is taboo; Romanian officials and press do not go beyond "cooperation" and "colaboration. Mostly because of its resistance to Moscow's line, Bucharest receives much less oil-- and on tougher terms--than other East European countries. Bucharest's main objective--and President Ceausescu's purpose in initially proposing a summit--has been to obtain equal treatment on deliveries of oil and other raw materials. The Romanians have reversed their opposition to joint investment projects, and are willing to consider multilateral energy and agricultural projects in Romania. The Ceausescu regime, however, still seems unwilling to pay the political price of greater fealty to Moscow on foreign policy issues.

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After repeated postponements, a CEMA economic summit meeting is scheduled to begin on 12 June.¹ This first CEMA summit since 1969 will mark the first meeting of Soviet General Secretary Chernenko with all of the leaders of the Warsaw Pact East European countries. The summit will give Moscow and its allies a forum to present a united front against the West by announcing Bloc unity on major political and economic issues.

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This memorandum describes the political and economic setting in which CEMA operates--a setting of conflicting economic interests, aggravated by economic problems within Eastern Europe and the USSR. It then reviews the perspectives and motivations the Soviets and East Europeans will take to the summit. In broad terms, the Soviet focus is on long-term economic integration and political unity as well as on keeping the economic burden of Eastern Europe from rising. The East Europeans are interested in resolving such short-term trade issues as the price and quantity of the goods they import from the USSR. Finally, the paper discusses what we expect to be accomplished at the meeting.

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The Economic and Political Setting

The intra-CEMA relationship has long been marked by conflicting interests. The East European countries have tried to exploit their relationship with the USSR without sacrificing

¹ CEMA members include the USSR, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Mongolia, Vietnam, and Cuba.

control over national economic decision-making. In the process, they have played both sides of the fence --drawing heavily on Western credits to help modernize their industries while relying on the Soviets to provide energy and raw materials on concessionary terms. The USSR has long tried to promote economic integration within CEMA to enhance its economic base, to promote greater specialization of production, and to increase Moscow's authority in Eastern Europe.

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The last CEMA summit in 1969 provided some dynamism by launching what was to become the Complex Program for Socialist Economic Integration and by creating institutions to promote multilateral trade and investment projects. Several major joint projects were underway by the mid-1970s, but the momentum quickly faded because of failure to remove longstanding internal CEMA trade obstacles and East European suspicions of Moscow's intentions. And in the early 1970s, detente provided more attractive opportunities for these countries to trade with the West.

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The summit will take place against the backdrop of declining Soviet economic support for Eastern Europe. From the mid-1970s through 1981, Moscow provided increasing support mainly in the form of oil price discounts and low-interest trade credits (see Table 1). But over the past two years the East Europeans have been hit by large increases in the price of Soviet oil, reductions in the volume of Soviet oil deliveries, and less Soviet willingness to tolerate large East European trade deficits.²

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Table 1

Soviet Assistance to Eastern Europe
1975-1983
(US \$ Billion)

	Annual Oil Subsidies ^a	Annual Trade Surplus	Total Annual Assistance to EE
1975	1.8	0.8	2.6
1976	2.5	1.2	3.7
1977	2.1	1.9	4.0
1978	1.1	0.2	1.3
1979	2.8	1.6	4.4
1980	9.7	2.8	12.5
1981	9.7	4.4	14.1
1982	6.3	2.7	9.0
1983	<u>1.6</u>	<u>2.2</u>	<u>3.8</u>
TOTAL	37.6	17.8	55.4

^a In 1975, CEMA adopted an interim pricing system which based the price on the previous three-years' prices; since then oil prices have been based on a moving average of world oil prices in the previous five years. Values are based on average unit prices.

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The tougher Soviet policy comes at a bad time for Eastern Europe, which is just beginning to emerge from the serious financial crisis of 1982-83. Difficulties in raising hard currency credits forced Eastern Europe to shift its hard currency trade from chronic large deficits to sizable surpluses by slashing imports. Although the region is beginning to enjoy a slight improvement in creditworthiness and a revival of hard currency trade, financial pressures remain severe on most regimes. Trade and financial difficulties with the West have figured prominently in Eastern Europe's attitude toward the summit. In general, the regimes have wanted the USSR to substitute as much as possible for the goods and capital no longer available from the West. BTA

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Many of Eastern Europe's present economic difficulties derive from past Soviet policies. By exchanging oil for manufactured goods from its allies, the USSR created a dependency which the East Europeans now find difficult to sever. By pressing the East European countries to adopt the Soviet economic model, Moscow helped create economic systems that in general were no better than its own and that for the most part produced goods which could find markets only in other Communist countries. The Soviets indirectly contributed to the current debt problems of some of its allies by encouraging the East Europeans to trade

² Soviet attempts to ease the burden of Eastern Europe are not new. Beginning in about 1960 the Soviets began holding back the exchange of raw materials, semimanufactures, foodstuffs, and consumer goods. And Soviet domestic needs resulted in a decline in net deliveries of materials to Eastern Europe in the early 1970s. (See Edwin Snell, "East European Economies Between the Soviets and the Capitalists," East European Economies Post-Helsinki, JEC, 25 August 1977.)

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with the West in the early 1970s in order to partake of the "scientific-technical revolution" and to obtain from the West raw materials and agricultural products that the USSR found increasingly difficult to supply. As a result, Eastern Europe's need for Soviet help has increased just at a time when Moscow--faced with its own domestic economic problems--wishes to reduce its assistance.

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While all CEMA countries agree that a summit is necessary to consider solutions to their growing economic problems, they differ substantially on what the solutions should be. The Romanians first proposed a summit four years ago (see Appendix A). After first objecting, Moscow endorsed such a meeting and seized the initiative in organizing it. Planning for the summit was delayed by disagreements over the agenda. By late 1983, the agenda was set, according to US Embassy in Moscow, but the summit could not be scheduled because of Andropov's illness. In a brief meeting with East European party chiefs following Andropov's funeral in February, new Soviet leader Chernenko said that he intended to convene the summit as early as possible. Finally, in April, First Deputy Foreign Minister Korniyenko announced that the meeting would be held in Moscow in June.

Andropov

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The Bloc leaders will convene at a time when the Soviets are pursuing a tough line on East-West relations and are pressing for Bloc solidarity against the West. While the Soviets still express high interest in East-West trade, they have delivered harsh attacks against US policies in recent bilateral exchanges with Western delegations, and have criticized West European

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governments for supporting Washington. The Soviets have persistently sought East European endorsement for their hardline policies.

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Moscow's East European allies are uneasy with the USSR's tough stance on East-West relations.³ Over the past year, some East European states have repeatedly balked at endorsing harsh anti-Western rhetoric. Soviet missile deployments in Eastern Europe and the Olympics boycott have spawned discord within the Bloc and are likely to influence the climate of the summit.

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What the Soviets Want

The USSR's economic objectives are closer CEMA integration and a reduction in the economic burden of Eastern Europe on the USSR. Enhanced CEMA integration, a favorite Soviet theme, encompasses a more closely coordinated economic policy, and more joint projects, production synchronization, and international specialization. Moscow is pushing technical and scientific cooperation through joint companies in which expertise and investment from several countries are joined in a single plant or series of plants. The Soviets also want more direct contact between enterprises in East European countries producing similar goods or components for the same products.

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Moscow's push for closer integration is aimed at achieving economies of scale, avoiding duplication, and tightening the

³ A forthcoming typescript memorandum will provide a more complete assessment of recent discord within the Soviet Bloc.

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economic cohesion of the alliance. The Soviets see joint investment projects as the only long-term solution to Eastern Europe's demands for more raw materials and lower prices. Moscow appears increasingly suspicious of potential Western leverage over Eastern Europe and has cited Western sanctions and economic conditions as reasons for the CEMA countries to turn inward.⁴

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Moscow's concept of closer integration gives the USSR the lead role in controlling and coordinating the bloc's activities. Moscow is CEMA's focal point and is reluctant to share power with its partners. CEMA continues to operate under a series of bilateral agreements under the Soviet umbrella rather than as a multilateral economic community. While the Soviets insist that integration would not infringe on Eastern Europe's sovereignty, they have offered little to reassure the East Europeans.

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Moscow also wants to curtail its generosity toward Eastern Europe. The Soviets have stepped up their complaints on the inadequate volume and poor quality of goods they receive from Eastern Europe. In late 1983, Soviet Prime Minister Tikhonov issued a stern warning that Moscow's deliveries of raw materials, vital to Eastern Europe, were contingent on how well the CEMA countries satisfied Soviet needs. More recent reporting has revealed a toughening Soviet posture vis-a-vis the East European

⁴ Soviet Premier Tikhonov warned his East European counterparts at the CEMA ministerial meeting last October against relying on trade and economic cooperation with the West. He claimed the Western sanctions in the wake of events in Afghanistan and Poland demonstrated the dangers of such a course and demanded greater cooperation between CEMA members to reduce their vulnerability to future Western attempts at economic reprisals.

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countries with respect to energy and raw materials deliveries and prices as well as the mix and volume of commodities expected in return.

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Moscow's attitude reflects slow economic growth at home and reluctance to support countries with higher standards of living than its own. A succession of Soviet leaderships has grappled with the question of how much economic assistance is necessary to assure political stability in Eastern Europe, and Moscow apparently has concluded that a gradual reduction of support is safe. At the summit, Chernenko's positions on trade issues--pricing, oil deliveries, trade flows--are likely to reflect the desire to maintain or accelerate the recent trend of declining Soviet subsidies.

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For the longer run, the Soviets probably are interested not only in reducing or stopping the flow of economic benefits to Eastern Europe, but also in reversing it. A large soft currency debt to the USSR has accumulated from the Soviet trade surpluses with Eastern Europe, and Moscow may begin pressing for repayment.

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East Europe Tries to Hold the Line

Moscow's allies have focused on narrower economic and trade issues and have tried to water down the Soviet agenda with its emphasis on integration.⁵ Eastern Europe's goal is to obtain more Soviet economic support to help overcome external and

⁵ See Appendix B for a more complete discussion of individual views of the East European CEMA members.

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domestic economic problems. With the possible exception of Romania, Moscow's allies probably see no realistic hope for major increases in Soviet deliveries or for a new concessionary price formula. Although they may ask for more concessions, the best they can hope for is probably no more cuts in oil deliveries and continuing trade credits. They may even be satisfied if Moscow announces its plans and offers commitments for deliveries, which would at least eliminate the uncertainty plaguing East European planners. (C)

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The East Europeans see serious economic and political dangers in further integration.

The international division of labor that Moscow advocates implies concentration on industries or sectors like agriculture that the East Europeans want to avoid. The regimes fear that their economic relations with the West are jeopardized not only because the push for integration could force reorientation of their economies, but also because Moscow has advocated a policy of limiting trade with the West. Hungary has fought most forcefully to maintain ties to the West, and most of the others want to keep their options open. Czechoslovakia is the chief exception: a recent Rude Pravo article strongly criticizes neighboring countries that try to "acquire unilateral advantages from the capitalist world."

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The East Europeans sometimes act as a bloc to counter the USSR on important issues in CEMA, but there are significant differences at this summit among them because of the diversity of their:

- political and ideological proximity to Moscow;
- dependence on trade with the West;
- levels of economic development; and
- structures of production.

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Agricultural exporters (Hungary, Bulgaria, and Romania) favor higher food trade prices against the interests not only of the USSR, but also of East Germany and Czechoslovakia. While Sofia and Bucharest are on opposite ends of the spectrum in terms of East European loyalty to Moscow, both want to protect their industrialization programs against any Soviet push to make them CEMA's breadbasket. Bulgaria and Romania--the least developed countries--also agree that CEMA should promote a leveling of the member economies through aid from the most developed to the least developed countries. East Germany and Czechoslovakia have the most industrialized economies in East Europe and share similar views on several trade and economic issues. Prague's recent attack in Rude Pravo, however, applies to East Berlin's economic relations with West Germany as well as to Hungary's aggressive pursuit of trade links with the West. The Poles have been reticent on CEMA issues, but are probably still interested in having allies finish investment projects abandoned by Western firms when Warsaw ran out of money.

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What We Expect

Political issues will certainly figure prominently in the CEMA summit. We believe Moscow sees the need to face the West with a united and firm alliance, and most of the East Europeans probably will go along if the rhetoric is not too harsh or specific. The emphasis on politics is likely to be reinforced by the need to fill the gap left by little progress on the economic issues.

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Soviet and East European comments indicate that the Soviets plan to use the summit as a forum for harsh attacks on the West, especially the US, regarding INF and other foreign policy and security issues. According to sources of the US Embassy in Budapest, Hungarian officials view the summit as a political exercise to demonstrate Chernenko's leadership. The timing of the summit, just after the Western economic summit in London, argues that the CEMA leaders will place a high premium on displaying political unity against a "menacing" West. They will be watching the Western summit closely to react to Western declarations on international issues and to exploit any differences between the US and the West Europeans. In their public statements the Soviets are likely to note with approval the economic progress made by the CEMA countries and contrast their success with Western economic problems such as high unemployment.

sources

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Despite differences with Moscow, most of the East Europeans probably will not want the summit to be, or even appear to be acrimonious. The divergence of views and interests on both

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Budapest 4086

economic and political issues is likely to lead to sharp exchanges behind the scenes, however, and the leaders probably will not be able to hide this from outside observers. As usual, Romanian President Ceausescu is most likely to frustrate a Soviet bid for unity.

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In terms of CEMA economic issues, the summit is not likely to result in major new policy initiatives or in a reconciliation of differences between the Soviets and the East Europeans. Moscow circulated a proposal in early 1983 calling for sweeping changes in CEMA which met strong opposition from the East Europeans. East European officials claim that their objections have held and that the coordinated document for the summit will be a much-diluted statement that will not infuse much dynamism into CEMA. According to the US Embassy in Prague, a Romanian diplomat said in early June that the economic document will be very general--"taking up a lot of space but changing little or nothing." Neither the Soviets nor the East Europeans have shown much willingness to compromise or to negotiate across issues.

*Advised**Prague 2575*

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While the East Europeans appear to have deflected the Soviet drive for further integration, they probably can claim few if any gains on trade issues. Moscow seems unswervingly tough, insisting that its allies gradually wean themselves from Soviet oil and other raw materials supplied on concessionary terms. We believe the Soviets are likely to divert East European requests by insisting that negotiations be handled bilaterally.

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Even knowledgeable Soviets view major gains for either side

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with a dubious eye. In a discussion with a US embassy officer in late 1983, a senior official of the USSR's leading institute on Bloc economic issues expressed little hope for favorable resolution of the serious problems facing CEMA. He believed that specialization is not working, not only because the countries prefer self sufficiency, but also because they do not wish to invest in producing goods for other CEMA countries. B7A

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The leaders may reach agreement on a few relatively minor issues which they can cite to laud the summit's success.⁶

New Gas Pipeline. A joint investment project the Soviets may highlight is the construction of a new gas pipeline, but probably no more than a preliminary agreement will be announced. The large-capacity pipeline, which the CEMA Planning Committee discussed in late March, would run 4,700 km from Western Siberia into Eastern Europe. The US Embassy in Moscow reports that Hungary is willing to purchase additional gas, but will try to avoid contributing construction services.

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Source

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CEMA-EC Ties. Sources of the US Embassy in Hungary report that the summit will issue a declaration proposing resumption of CEMA's stalled negotiations with the EC on a trade agreement, ostensibly to show the Bloc's interest in expanding contacts with Western Europe. The Hungarians, however, believe the Soviets' real motive is to block East European bilateral talks with the EC by shifting them to a multilateral forum.

Budapest
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Source

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⁶ The leaders may devote some attention to issues such as transferable ruble convertibility and aid to the less-developed CEMA members Vietnam, Cuba, and Mongolia. Reporting does not indicate that these subjects have figured prominently in the summit preparations, but they are of longstanding importance to CEMA.

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Enterprise cooperation. There is an apparent consensus that ties between enterprises in different countries should be facilitated and strengthened, presumably by bypassing the foreign trade and planning bureaucracies. The Soviets, East Germans, Hungarians, and Poles have advocated more direct links at lower levels, and we know of no opposition to this. Establishment of joint enterprises may be another mechanism for facilitating cooperation.

Advice

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High Technology. There seems to be general agreement to make headway on the development and application of high technology. The East Europeans, who stress the importance of new technologies to improving economic performance, share Moscow's concern about reducing the Bloc's vulnerability to Western export controls. High-level CEMA meetings in recent years have announced new programs for cooperation in microelectronics, robotics, and computers. We have no information that new programs or mechanisms for cooperation will be launched, but at a minimum the leaders are likely to cite the progress on existing programs.

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On the toughest issues, however, wide differences apparently remain:

Trade pricing. Although Czechoslovak sources say that a shift from a 5-year to a 3-year moving average for calculating CEMA prices is under study, we have no evidence that this will be approved at the summit. Moreover, because CEMA prices have largely caught up with world prices, the impact would not be great and it is not clear which members would gain. One possible

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change is that prices of agricultural products will be negotiated bilaterally, which almost certainly would raise them.

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Planning. The East Europeans apparently have deflected Moscow's effort to increase integration by instituting more joint planning and closer coordination of members' domestic economic plans. East European diplomats in Moscow say that little change in the planning process is likely as discussions of 1986-90 plans begin. There may also be talk of formulating plans out to the year 2000.

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Oil Deliveries. Moscow is unlikely to make commitments for the 1986-90 period with planning at such an early stage and the issue of oil supplies so sensitive. A Soviet institute official recently stated that the USSR's oil allocation priorities are (1) defense, (2) agriculture, (3) chemical industries, and (4) exports to CEMA and hard currency markets. In view of these priorities, the Soviets may propose cuts in oil deliveries to CEMA and repeat their admonitions on wasteful use of oil. In any case, the Soviets are likely to continue to negotiate oil deliveries on a bilateral basis.

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Progress on some of these issues is possible at the summit, but the leaders probably prefer to give a top-level stamp of approval to already prepared documents rather than to engage in tough negotiations. The contentious nature of the issues, however, seems to insure tough talks. Indeed, the summit of party leaders has become necessary because of failure to resolve these issues at the government and expert levels.

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Holding the summit has become a risky venture with potential

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for Soviet embarrassment. The rarity of a bloc economic summit raises high expectations, and the several postponements amid open squabbling over basic goals and policy have put further pressure on CEMA to show progress. If few concrete economic agreements or initiatives emerge, the summit could prove a disappointment and show that the meeting was held only to feign a show of East Bloc unity in the face of the Western leaders' summit. Even more embarrassing would be open wrangling between Chernenko and some East European leaders. If the Soviets renew their push for integration, try to impose new cuts in oil deliveries, or press too hard for East European exports, the East Europeans may unite to mount strong resistance. This could frustrate Moscow's goal of Bloc unity.

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If our expectation of no major progress on longstanding CEMA issues proves correct, the failure of the summit will reduce the likelihood that the region's economic problems--and Soviet-East European tensions--will be eased in the next few years. Lack of a forceful mandate from the leaders will impede lower level officials from seeking resolution of CEMA problems. While Moscow can continue to reduce the cost of its alliance, it can claim neither the satisfaction of bailing out Eastern Europe when the West turned away, nor of drawing its allies more closely in a net of increased economic integration. For their part, the East Europeans, without crutches in the form of net resource flows from East or West, will be left on their own to deal with economic problems, and tensions are likely to grow and corrode the Soviet relationship with Eastern Europe.

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Appendix AChronology of Summit Planning

June 1980	Romania proposes summit at 33rd CEMA Council Session
February 1981	Brezhnev endorses summit at 26th CPSU Congress
March 1982	Czechoslovak official says that summit agenda is far from complete.
June 1982	Czechoslovakia's Premier Strougal renews call for summit at 35th CEMA Council session.
October 1982	Pravda article outlines Soviet views; Hungarians call for postponement until 1983 so that "radical reforms" can be developed; several sources say meeting will be in early 1983.
April 1983	Party economic secretaries fail to agree on agenda, dealing a setback to plans for a spring 1983 summit.
September 1983	Bulgarian official says summit will be held in October shortly after the CEMA session. Agreement on pricing of agricultural products reportedly completes the preparations.
October 1983	In East Berlin, CEMA premiers announce that summit preparations are completed, but no date is set.
January 1984	The Yugoslav press and several East European sources say that Andropov's illness has delayed setting a date.
February 1984	After Andropov's funeral, new leader Chernenko tells East European leaders that he wants to schedule the summit in April or May.
April 1984	Following Central Committee and Supreme Soviet meetings, Soviet Deputy Foreign Minister Korniyenko announces to the Western press that Moscow will host the summit in June.

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Appendix B

East European Views on CEMA and the SummitBulgaria

Although Sofia is generally the USSR's loyal ally in Eastern Europe, the Bulgarians have significant differences with Moscow on CEMA. Along with Romania and Hungary, Bulgaria pushed Moscow hard for higher agricultural export prices last year. Sofia is the most dependent economically on the USSR, and perhaps most concerned about tougher Soviet attitudes on future economic support. The Bulgarians support economic integration in general, but worry that Moscow will dictate that Sofia concentrate on agriculture rather than manufacturing.

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Czechoslovakia

Prague has long been one of the most enthusiastic supporters of CEMA integration. The Czechoslovaks' chronic complaint has been that other members--including the USSR--often fail to meet delivery commitments in CEMA projects. Czechoslovakia has a major role in manufacturing equipment for nuclear power plants in CEMA--an effort that has lagged badly because of the failure of other countries to supply components. Prague's major objective thus has been to improve participation under existing mechanisms and programs rather than to approve new initiatives. A recent article in Rude Pravo--reprinted in the Soviet press--indicates that Czechoslovakia will be Moscow's strongest ally at the

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summit. The article sharply attacked those socialist countries that experiment with reforms contrary to the Soviet model and those that cultivate economic ties with Western countries. 25X1

East Germany

East Germany generally has sided with the USSR and Czechoslovakia on most CEMA issues, emphasizing that other members must fulfill their delivery commitments in CEMA. East Berlin, however, does not share Prague's suspicions about economic relations with the West. The East Germans say that their main objective at the summit is to maintain "elbow room" to protect their improved relations with Bonn. The GDR also wants better compensation for the technology it provides to other CEMA members. East Germany regards CEMA cooperation in computer technology as vital, and sees its own role as concentrating on software. 25X1

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Source

Hungary

The Hungarians have been the most innovative in proposing changes for CEMA. They have advocated convertibility of the transferable ruble, movement toward multilateralism in trade, more rational pricing, and economic reforms by the other members. Budapest's motivation in this summit is likely to be damage limitation--fending off Soviet proposals for supranationality and integration. The Hungarians are also concerned that the USSR will reduce economic support by buying less Hungarian meat for hard currency and by reducing Moscow's

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soft currency trade surplus. The Hungarians are certain to oppose summit decisions that would interfere with their freedom to trade with the West. On most of these issues, Hungary will line up with Romania.

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Poland

Despite the highly-publicized "reorientation" of its economy toward the East as a result of its financial crisis and Western sanctions, Warsaw has shown little interest in the summit or in CEMA issues in general. The Polish press, still one of the most open in Eastern Europe, did not even mention the summit until last November. Poland has enjoyed substantial economic support from Moscow during its economic crisis. The Soviets ran huge surpluses in 1981-82, but the imbalance declined substantially last year. Moscow, nonetheless, is still giving special treatment to Warsaw through a recent agreement to defer repayment of Poland's debt to the USSR and to supply additional quantities of oil and grain.

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Trade issues are likely to dominate Warsaw's perspective at the summit, although it is possible that the Poles will support some of Moscow's structural aims. At last October's CEMA session, General Jaruzelski spoke out against "excessive economic relations with capitalist countries," citing Poland's "bitter experiences." While little information is available on its specific provisions, we expect that the agreement on long-term economic cooperation concluded during Jaruzelski's early-May visit to Moscow may be a model of what the Soviets would like to

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establish with other CEMA countries.

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Romania

Bucharest has been the rebel in CEMA ever since rejecting Moscow's attempt in the early 1960s to force Romania to concentrate on agricultural development at the expense of industrialization. Romania stresses national interests and the sovereignty of individual CEMA states and has opposed Soviet attempts to make CEMA a more supranational body. The word integration itself is taboo; Romanian officials and press do not go beyond "cooperation" and "collaboration." Mostly because of its resistance to Moscow's line, Bucharest receives much less oil--and on tougher terms--than other East European countries. Bucharest's main objective--and President Ceausescu's purpose in initially proposing a summit--has been to obtain equal treatment on deliveries of oil and other raw materials. The Romanians have reversed their opposition to joint investment projects, and are willing to consider multilateral energy and agricultural projects in Romania. The Ceausescu regime, however, still seems unwilling to pay the political price of greater fealty to Moscow on foreign policy issues.

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