ECONOMIC DEVELOPMENTS IN THE EASTERN BLOC:

IS THE SOVIET WEB OF CONTROL TIGHTENING?

by

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In an unusual display of candor, Hungarian and Polish leaders declared recently that economic shortcomings in the cold winter of 1979 could not or should not be blamed on protectionist capitalists or on world economic problems.[1] Instead, they contended that an explanation should be sought domestically. But the two states are members of the Soviet bloc, politically, militarily, and economically. The Soviet Union, by its very size and power, is bound to exercise considerable influence on the domestic affairs of all the bloc states. Intra-bloc organizations provide further constraints, in large part reflecting the relationship between Moscow and the bloc. Accordingly, the Council for Mutual Economic Assistance (Comecon), the umbrella multilateral economic link in the bloc, should provide at least some indication of the leeway the bloc states have in applying specifically domestic solutions to their economic problems.

During the 1960's, Western observers began to question seriously the view of the Soviet bloc as a monolith, particularly in the narrow definition of the term as a huge bloc with a uniform, intractable quality or character—a bloc that allows no variation among members. The Sino-Soviet rift appeared unhealable, and there were signs of dissent in the Soviet Union's own backyard. Albania adopted the Chinese position in 1961. Romania subtly and deftly rejected some of the more constraining aspects of Soviet guidance shortly thereafter and then brought its dissenting views into the open in 1964. In the latter 1960's, movement toward various forms of democratization became apparent in Hungary (particularly in the economic sphere) and Czechoslovakia. Several Western writers, noting the ferment, began to speak of the Soviet bloc states in Eastern Europe as being at a crossroads in the Sino-Soviet dispute. Some even chronicled the disarray and breakup of the Soviet "empire" in Eastern Europe.[2] That this latter assessment of developments in Eastern Europe was premature was amply demonstrated by the Soviet-led Warsaw Pact intervention in Czechoslovakia in 1968 and the subsequent enunciation of the so-called "Brezhnev Doctrine" which declared that any threat against the internal security of a member state constituted a threat against the entire socialist commonwealth.

A painful reassessment of these developments in the early 1970's perhaps took the pendulum of Western perceptions too far in the other direction. Western analysts talked of the return of the "Stalinist ghost."[3] Their impression was that the Soviet Union was intent on creating a stronger, more cohesive empire in Eastern Europe, and some viewed the American acquiescence (as set forth in the "Sonnenfeldt Doctrine" and the 1975 Helsinki *Final Act*) to the frontiers of the East European states as an acceptance of

total Soviet domination. This move tended to reinforce the impression that the Soviet bloc indeed remains a monolith. That, in turn, would add greatly to Soviet power, not only in case of a military conflict, but also in Moscow's political relations with the West in general and with Western Europe in particular. Such an assessment, however, while potentially correct, does not take analysis much above the level of crude ideological superficiality unless it is accompanied by an evaluation of some of the mechanisms interconnecting the Soviet Union with the Soviet bloc and the motive forces behind them.

Moscow's desire for control in Eastern Europe in the wake of World War II was largely determined by a desire to safeguard its politico-ideological, military, and economic security. These aspects of security continue to represent the core interests of the Soviet state. Therefore, Moscow cannot allow the type of "liberalization" in a bloc state which threatens the role of the Communist Party, thereby risking "contamination" of the bloc and even the Soviet Union. Nor can it allow the type of economic reform which would create a market economy that would endanger the political suprastructure. Further, it cannot allow a bloc member to withdraw from the Warsaw Pact, particularly one located along the axis of a potential East-West confrontation—even if that state remained neutral.

There are ways of ensuring this security, however, without creating a completely uniform bloc. Challenges to peripheral Soviet interests may be allowed within a system of "democratic centralism." Minor criticism of or deviation from policy could be permitted as long as the central themes of Soviet policy were left intact. Therefore, certain boundaries could exclude threats to core Soviet interests. Additionally, Moscow could take a more sophisticated approach to dissent in the bloc by creating tiers and by compartmentalization. In other words, it could take account of the importance of a state within the bloc in gauging the significance of the challenge. A challenge from a northern, industrialized bloc state, located in a strategically crucial region, could be treated differently than one from the southern tier of states. Furthermore, Moscow could employ pressures selectively to ensure that the dissenting state, in any tier, did not "contaminate" its neighbors in the bloc. Challenges, then, could be placed in compartments where sharply focused Soviet pressures could eventually eliminate them. The result of all this would be that Soviet core interests could predominate within the bloc despite some flexibility which might soothe the national sensitivities of bloc members. Regardless of how detrimental these core interests were to a bloc state, it could not successfully challenge them. Therefore, despite defiance of peripheral Soviet interests, the bloc would remain a monolith—the web of control would be unbroken.

THE ORGANIZATION

Comecon, created in 1949, not only symbolizes but in many ways defines the nature of the relationship between Moscow and the bloc states. There is some controversy regarding the precise motives for the establishment of the organization. According to Peter Wiles, it was set up as a result of the need for a propaganda counter to the Marshall Plan,[4] but Michael Kaser argues that its creation was an internal initiative, generated as part of Voznesensky's Zhdanovite policy of reform which was then reversed by Stalin himself.[5] The motives for the creation of the organization influenced its evolution to some extent, of course, but they did not predetermine it. Therefore, recent developments in the organization can change not only its nature, but also the relationship between the Soviet Union and the bloc states and the strength of the web of control.

Major developments do appear to be taking place. At the Comecon Council meeting in June 1978 in Bucharest, Soviet Premier Alexei Kosygin urged members to move decisively toward the overall integration of their individual economies.[6] On the other hand, high-ranking Romanian officials simultaneously published several articles, including one in the main Romanian

Communist Party daily, declaring their full support for national control of economic affairs and for the proposition that national sovereignty was "incompatible with supranational organizations of any kind."[7]

Moscow's relations with the Soviet bloc states are determined to a decisive extent by her quest for politico-ideological and military security. Except for analytical purposes, these are inseparable. In the late 1970's, Soviet perceptions of security needs have been affected by several factors. They include the dispute with Peking, Eurocommunism, the bloc's relations with the European Economic Community, and Soviet military strategy.

Hence, the Soviet Union has viewed its relations with the East European states as dynamic; at the same time, though, it has sought a gradual growing together, a *sblizhenie*, which would eventually lead to merger.[8] Along these lines, Moscow has sought to impose a general conformity of both domestic and foreign policies in Eastern Europe and to achieve some uniformity in the institutions implementing these policies in the area.[9] Bloc cohesion, of course, was to be achieved concurrently with viability, in the sense that the Communist regimes were to develop broad bases of domestic support. The diversity in the bloc resulting from a quest for viability was limited by Moscow's requirements for cohesion. In the end, however, the guidelines for cohesion that Moscow sets delineate the web of control and determine whether there is significant movement toward merger. Comecon is bound to reflect the opposition between cohesion and viability, while the latest development in that organization should indicate what stage of integration the bloc has reached and perhaps what direction it is taking.

Premier Kosygin's urging of Comecon members in 1978 to move decisively in the direction of an overall integration of their individual economies was not in itself a radically new shift in Soviet policy toward the bloc states. The theme of integration, particularly in the economic sphere, goes back to the late 1950's, had been strongly advocated by Brezhnev in 1975,[10] and was part of a major debate at the 30th session of the Comecon Council in East Berlin in July 1976 following the meeting of the European Communist parties in that city.[11] In fact, a joint announcement was made at the Berlin conference that the Comecon members would evolve joint economic goals in the next 15 years. What does integration mean, however, in the context of the Soviet bloc? Without going into all of the ramifications of integration theory, it has meant that two or more countries are fully "integrated" if they are subject, without artificial distinctions or barriers, to one market or one economic planner.[12] Some have gone further by insisting on a single economic policymaker.[13] This, however, is not necessarily the Soviet view.

Initially, in speaking of integration Soviet leaders excluded the possibility of supranationality. Yes, there was to be specialization, there was to be greater coordination, but the Soviet leaders were not thinking in terms of setting up the kind of structure that, for example, the fathers of the European Economic Community envisioned. The Soviet motivation was largely political—Moscow sought only to safeguard and consolidate the bloc. Moreover, the Soviet leaders at first failed to understand the specific problems of integration of countries with "command economies." A command economy revolves around a central plan and is thus monolithic; a market economy is

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pluralistic, responding to a large number of inputs. Therefore, integration of command economies cannot function on the basis of free trade alone, because trade flows are only the by-products of the production plan.[14] Successful economic integration would have to involve the creation of a single command economy which would encompass all of the member states.

By the late 1960's, Soviet economists began to come to grips with the problem. Sorokin, for instance, writing in 1969, envisaged a program of integration that would result in a single economic and political system comprising the whole Communist World within 20 years.[15] Other Soviet economists, writing after the adoption by Comecon in 1971 of the "complex program for economic integration" in the bloc, began to specify certain of the terms of integration. P. M. Alampiev, O. T. Bogomolov, and Y. S. Shiryaev in the book, *A New Approach to Economic Integration* (1974), were among those who tried to define what integration would mean in the near future. They projected integration in two stages. For the first three five-year periods, national sovereignty would continue to be maintained, but a rapid integrative process would take place. Within this period, new productive capabilities would be initiated and developed as joint measures, particularly in the scientific and technological fields. There would be an extension of the sphere for the deployment of materials, capital, and manpower resources within the whole community. Also, there would be considerably more extension and deepening of the international division of labor and of the exchange of goods and services between the participating countries. Mutually convertible national currencies would be introduced, together with the enhancement of the role of the collective currency (the ruble).[16]

In the second stage, to be built on the success of the first, there would be a much higher degree of economic and organizational unification of the national economies of the socialist states into an international economic complex. This unification would be characterized by:

> . . .[deep] penetration of the national economies by international production, by economic and scientific-technical ties, by maximum economically warranted mutual adaptations and interdependence of the national economic structures, and by the close technological and economic coalescence of the production machinery of the integrating countries.[17]

There would be a common plan for the division of socialist labor, joint forecasting, and joint planning. In effect, this stage would effectively result in the single economic and political system that Sorokin envisioned. The Soviet Union, of course, would be the dominant and decisive member because of its overwhelming economic and military power, and this holds true even if the Soviet Union had no expressly hegemonic aims. Therefore, even with the best intentions, Soviet domination—which could drift toward control—would be inevitable.

To what extent has the Soviet Union moved toward total bloc integration? Although Comecon was largely a dormant paper organization in the 1950's, in 1959 its council, meeting in Sofia, adopted a charter outlining its aims and principles and defining its structure. Partly as a response to the success of the European Common Market, the Soviet Union pushed for greater cohesion in Comecon, as well as for specialization of production. This resulted in the adoption in 1962 of the fundamental principles of the *International Socialist Division of Labour*, which called for coordination of the member states' economies in an accelerated division of labor by means of specialization. This attempt failed, however, because it was opposed vehemently by Romania (which, in turn, was tacitly supported by some of the other states). Romania felt that such specialization would endanger her nascent industrialization. In 1964, the Comecon International Bank of Economic Cooperation was established, with the "convertible ruble" as its mainstay currency. In 1970, the International Investment Bank was created. The ruble,

however, had only limited convertibility. The first bank did not function effectively as the projected multilateral clearing bank; the second was rejected by Romania in 1970. But joint projects were undertaken, with 1964 seeing the successful completion of 3300 miles of the "friendship" pipeline linking the Soviet Union to Poland, the German Democratic Republic, Czechoslovakia, and Hungary. Furthermore, the bloc states did invest in iron ore extraction and the production of other raw materials within the Soviet Union. Still, progress toward integration lacked momentum.

A major step toward integration was taken in 1971, when the "complex program for economic integration" was adopted at the 25th session of Comecon. Follow-up meetings reaffirmed the move toward socialist economic integration and mapped out certain concrete steps for its implementation. In March 1975, Brezhnev called for closer economic integration among Comecon members and for an extension of specialization within the bloc.[18] In June of that year, at the 29th Comecon session, the next five-year plan approved further multilateral economic integration.[19] It envisioned more joint projects, particularly the creation of a uniform electrical power grid system for the Comecon area (though opposed by Romania). Overall, the massive undertaking of joint projects in the plan was based on integration measures worth 9 billion transfer rubles ($12.2 billion).[20]

Nine of the 10 major projects provided for closer links between the Soviet Union and the bloc. The construction of a natural gas complex at Orenburg in the Soviet Union, with a 2750-kilometer gas pipeline connecting it to the Czech border pipelines, was designed to provide the bloc states with 28,000 million cubic meters of Soviet natural gas. It was completed in 1978.[21] The expansion of the compound power grid from the Ukraine to Hungary (860 kilometers) was designed to facilitate the reciprocal exchange of electric power and enhance the dependability of power supplies in the bloc. The extension of a second gas pipeline from Byelorussia to the Polish border increased links with Poland. The development of a cellulose combine in Siberia capable of producing 500,000 tons annually; the construction of a combine for the extraction and processing of 500,000 tons of asbestos at Kiyembayen in the Soviet Union; the development and the production of iron ore substitutes in the Southern Soviet Union; the construction of a factory for the production of feeds from pure paraffin, in Byelorussia; the development of an integrated telephone system for Comecon; and the construction of a joint air crew training facility outside Moscow—all involved bloc-state spending in the Soviet Union and the creation of additional physical links. Moreover, the "complex program" provided for further cooperation in the bloc production of solid and nuclear fuels, using Soviet technology. The International Atomic Energy Agency reported that by May 1978 all East European states had nuclear power plants under construction, with facilities to produce 9849 megawatts already installed and 18,960 megawatts on line.

By 1978, the electrical power grid in the Comecon area linked the bloc states even more closely with the Soviet Union, while the East Germans and the Poles were participating in joint oil exploration in the Baltic with the Soviets. The impression of ever-growing cohesiveness has perhaps been best illustrated in the past few years by the fact that Comecon, under Soviet directives, has sought organization-to-organization talks with the European Common Market, but it has prohibited individual member negotiations with that organization.

It is true that Comecon's extension of membership to non-European states would nominally support the Soviet contention that it is a worldwide, not merely a European, socialist organization. Mongolia became a member in 1962, Cuba in 1972, and Vietnam in 1978. None of these countries, however, has much weight—in fact each is almost totally dependent economically on the Soviet Union. They represent additional assured votes for the Soviet Union; even though Comecon is designed to function on the basis of unanimity, having a majority always helps.

THE PROGNOSIS

The success of Soviet efforts in bloc integration depends on a number of factors. The salient ones relate to the economic dependence of the bloc states on the Soviet Union, particularly for energy-related raw materials; to the importance of the Soviet and Comecon markets to the bloc states; and to the commitment of the Soviet Union to security through bloc cohesion.

The oil crisis fomented by the Organization of Petroleum Exporting Countries in 1973 highlighted the vulnerability of the Soviet bloc states. Although the bloc states have had a better economic performance than the Soviet Union in the 1970's,[22] they all have increased their dependence on imported oil. Bulgaria and Czechoslovakia have received all their oil from the Soviet Union, while East Germany, Poland, and Hungary have been heavily dependent on Moscow for their supplies. Romania, the bloc exception, has had to purchase its oil with hard currency or through difficult bartering arrangements on the world markets. Because of the dependence of the bloc states on Soviet oil, the Soviet Union has been able to take unilateral action, increasing its oil prices by 131 percent in 1975.[23] In 1977, the Soviet Union raised prices again by 22.6 percent.[24] In addition to these price increases, Moscow began to ration supplies to Eastern Europe. The 1975 oil quotas, for instance, were only marginally above those of 1974.[25]

Nevertheless, these oil prices were below those in the world market and therefore amounted to a subsidy for the economies of the bloc states. Even though they have been hit hard by the price increases and by the rationing of supplies, they have been eager to get supplies from the Soviet Union.

The oil dependence, in fact, has been institutionalized. When leaders at the Comecon Council meeting of June 1978 issued a communique on an agreement to coordinate long-term production in the field of energy, they based it on the 10- to 15-year "common goal programs in the field of fuel energy and raw materials" which were worked out at the previous two Comecon sessions. The council had then already decided that a key element for energy production was the creation of large fuel and energy complexes "on the territory of countries possessing significant resource."[26] This almost invariably meant Soviet territory.

The massive pipeline from the Soviet gas fields in the Orenburg region to Eastern Europe, as mentioned earlier, reaches all the bloc states except Romania, thus providing Moscow an additional opportunity to exert pressure on recalcitrant members. The financing of the pipeline itself has been a joint effort, entailing a $500 million borrowing by Comecon from the West.[27] Additionally, plans have been drawn up for a sizable increase in the nuclear generating capacity of the bloc states, which, according to a proposal put forth by the Czechoslovak Deputy Prime Minister, would double production in every five-year period.[28] Since the reactors, maintenance technology, and much of the uranium must come from the Soviet Union, bloc state dependence on Moscow would increase.

The Soviet Union has provided economic aid to bloc members, thus increasing their dependency in other ways. In the case of Poland, Soviet sales of grain at less than the market price helped subsidize Polish food prices. It was the food riots in 1970 which toppled the Gomulka regime in Poland, and there were smaller-scale riots against price increases in 1976. Such subsidies indicate Moscow's awareness of the need to promote political stability in the largest bloc state. In the case of Cuba, a Comecon member since 1972, the Soviet Union has been paying out a vast subsidy through the purchase of sugar at inflated prices and the provision of Soviet goods and raw materials at prices well below those of the world market. The result has been thorough economic dependence on the part of Cuba and a more-than-coincidental use of Havana's troops as Soviet proxies in Africa.

An examination of East European trade with the Soviet Union, as well as a sector-by-sector analysis of national economies, not surprisingly reveals a heavy dependence on the Soviet Union.[29] It is also apparent that

since the gross national product of all the member states is small (well below $100 billion), they have limited domestic markets and therefore can well use the advantages of the larger market of Comecon, providing them the benefits of specialization and large scale. Thus, trade with Comecon is important for the members as a matter of general economic principle.

The quality of goods produced in the Soviet bloc states has not been high. Because of the inferior technology available to these states, their products cannot be marketed successfully in Western markets in competition with Western goods, despite much lower prices. In trade with the developed Western countries, the bloc states, as well as the Soviet Union, have thus been incurring ever-higher deficits. The Organization for Economic Cooperation and Development estimated that by the end of 1977 the Comecon states owed $47 billion to Western banks and governments.[30] Western bankers estimated that this indebtedness reached well over $50 billion by the end of 1978.[31] The trade deficit with the West rose from $4.9 billion in 1977 to $6 billion in 1978.[32] As a result, Western nations have become more reluctant to grant credit. The foregoing developments place an even greater premium on strong intra-bloc trade.

Of course, the inferiority of Eastern bloc goods should not be exaggerated. East German or Czech machinery, for instance, which might be considered second-rate in the Western World, is highly saleable in Comecon as the latest and best in bloc technology. The bloc states have thus begun to reemphasize the importance of trading within Comecon. Even though Poland has increased its trade rapidly with the West, its exchange within Comecon is much higher in absolute terms. Hungary, which has made strenuous efforts to augment its trade with the West, still conducts about 75 percent of its commerce within Comecon.[33] Romania plans to halve her trade with the developed states in the West, while increasing her trade within Comecon.

Together with such increases in trade, there has been an increase in the flow of workers among the several states. It has been estimated that there are 50,000 Poles, 30,000 Hungarians, and 10,000 Bulgarians working in the German Democratic Republic, while 10,000 Poles and some hundreds of Hungarians are working in Czechoslovakia.[34] Thus, labor-short industrialized bloc states can draw on a larger socialist labor pool.

While certain of the economic advantages of integration are apparent for the bloc states, economic benefits to the Soviet Union are less evident. It is true that in many ways the Soviet Union has a captive market for certain of its goods. In the case of certain industrial commodities exports, such as machinery (of which Comecon took 79 percent in 1978[35]), the Soviets have found Eastern Europe to be a crucial market. While Moscow has run trade deficits with the West, it has enjoyed a small surplus in its exchanges with Eastern Europe. In the past three years, therefore, the importance of Eastern Europe in Soviet trade has increased. But most of the raw materials Moscow exports to the bloc states (and this represents a very large share of its exports) could fetch much higher prices on the world market. In fact, it appears much more likely, as Teresa Rakowska-Harmstone has noted, that Comecon economic integration has so far been economically unprofitable for Moscow, but that from the Soviet perspective the political advantages outweigh the costs.[36] The push by the Soviet leaders recently in all areas of integration tends to indicate that at the very least they are willing to accept some of the economic losses in exchange for political benefits.

Despite the economic advantages of integration, bloc states have been reluctant to push for it. The extent of integration continues to depend heavily on the Soviet Union's willingness to press for it, although conditions in the 1970's make this process easier. So far, Comecon remains a weak institution with a primitive structure when compared to the Common Market. Intra-Comecon trade represented only seven percent of the world total as late as 1974; as a

proportion of the total trade of its members, it was lower then than it had been 20 years earlier.[37] Nevertheless, the trend in trade has been reversing, as illustrated by Romania's trade figures. Joint projects have been increasing. Economic dependence on the part of the bloc states, the attractions of a large market, and Soviet political will are thus becoming potent motivators toward growth and integration.

There are, however, other factors which work against integration—nationalism and market reform, for example—which are worth brief examination. Romania has been a constant opponent of supranationality, and her reaction to the proposals for increased overall integration advancd by Kosygin at the Comecon meeting in June 1978 was negative. The Romanians contended that national sovereignty was incompatible with supranational organization.[38] They vehemently opposed any switch to a system of decision by majority vote in Comecon as an irreversible step toward supranationality. At the 32d session of the Comecon Council in June 1978, the Romanian Prime Minister, Manea Manescu, indicated that Bucharest had rejected pressure for such a change.[39] The Romanians successfully continued their opposition to majority rule at the 33d council session in June 1979. Romania has also feared joint projects in the bloc and preferred to look for nuclear technology in the West. In 1978, it decided to buy nuclear reactors from Canada. Furthermore, Romania has been the only member of Comecon with direct relations with the European Economic Community (EEC), contrary to Soviet wishes. Recently, Bucharest has been sounding out the EEC concerning a bilateral industrial pact under the euphemistic title of "an industrial cooperation agreement"—in clear defiance of Comecon.[40]

On the other hand, Romanian opposition or dissent has been flexible, and Bucharest has joined numerous joint projects, as well as the Comecon banks, in the past few years. Although Bucharest's relations with the EEC may be irritating to the Soviet Union, Brezhnev himself proposed as early as 1972 that Comecon could find "a basis for some form of business relations with the European Common Market."[41] Since then, there have been a number of Soviet meetings with the top-level officials of the EEC. In February 1977, a Soviet minister negotiated openly with the EEC on the subject of fishing rights in the North Sea.[42] In addition, Poland and Czechoslovakia have made deals with the EEC on steel, while Hungary and Romania reached an agreement with the Common Market on textiles.[43] These actions hardly represent a significant blow to the core Soviet security and control interests in the bloc. Instead of a litmus test showing disloyalty, Romania's actions may be interpreted simply as a practical initiative taken in the face of the EEC's refusal to deal with Comecon on a bloc-to-bloc basis. The EEC's objections arise not only out of a reluctance to deal with an organization so completely dominated by Moscow, but also because Comecon has no legal competence to sign treaties. Moscow's refusal to admit to present supranationality is thus partly responsible for the lack of organization-to-organization negotiations. In addition, EEC agreements with Comecon member states do not promise a scale sufficiently significant to alter the dependence of these states on Moscow. On the other hand, the EEC loans and tariff concessions to these states may, in fact, ease some of the economic burden of the Soviet Union without detracting from its political control of the bloc.

The failure of the Soviet Union to obtain a "decision by majority" system at the last Comecon meeting most likely represents only a temporary reprieve for Bucharest. Indications are that the Soviet Union has the support to pass the amendment formula in the near future. Once that is done, the Romanian challenge can be compartmentalized and contained. Thereafter, the Soviet Union should be able to enforce something approaching monolithic cohesion throughout the rest of the bloc.

True, there have been nationalistic grumblings from some of the other states regarding oil prices. East Germany pointed

out that it would have to raise the prices of goods sold to the Soviet Union to pay for the high-priced oil.[44] Chairman of the Council of State, Erich Honnecker, complained that specialization of production among Comecon members had forced the transfer of production of some goods from East Germany to other members, and it had halted production of other goods entirely.[45] East Germany's willingness and ability to dissent or complain, however, is limited because of its political dependence on the Soviet Union and its inability to forego a captive market for its goods. Such "dissent," therefore, cannot obstruct Soviet aims.

Perhaps the greatest challenge to Comecon integration and the creation of a strict monolith comes from reformist, neosocialist attempts to replace economic administration by economic management—that is, changing command economies to market or at least neomarket ones. Such an attempt was made in Czechoslovakia in 1968, but the Soviet-led intervention quickly stifled it. During the same year, the New Economic Mechanism was proposed by Kadar in Hungary.[46] These reforms, which would have assigned greater scope to market forces, caused friction within Comecon. Hungary wanted greater convertibility of currency, less interference in domestic economic programs, and an overall freer flow of trade. The reforms of Comecon sought by Hungary were insidious because they would have entailed transforming the other economies along the same lines. The Hungarian challenge, however, was kept within bounds. Since the Soviet Union remains Budapest's main source of raw materials and fuel, there are real limits to how far Hungary can afford to go in alienating Moscow. Politically, Hungary can afford to alienate Moscow even less, for there are still four Soviet divisions stationed on Hungarian territory. Furthermore, economic reform in Hungary is circumscribed by the fact that it remains a totalitarian one-party state. In 1974, three of the key early reformers were dismissed from the party secretariat, while "reforms" have been permitted only along a narrow and clearly delineated path.

There is presently an attempt in Hungary to create by 1981 a price system based on market scarcities. This involves gradually phasing out subsidies and making plants profitable. All this, however, is constrained by the facts that no unemployment can be allowed, that there is no direct correlation between productivity and wages in most instances, that there is no attempt to introduce workers' self-management on the Yugoslav model, and that there are no significant elements of "free enterprise." The result is bound to be some sort of "command market," as contradictory as that term might appear. With the Communist Party firmly in control, the limited reforms can be made acceptable to Moscow. The situation in Hungary is thus containable, particularly with the help of the self-censorship of the Kadar regime. The other bloc states are also experimenting with some reforms, but they are on a much more limited scale than those of Hungary.

While the institutional structure of Comecon is weak, it remains only one of the instruments for Soviet contact and control in the bloc. It is very much a Soviet creature. The day-to-day functioning of the organization is in the hands of the Secretariat, always headed by a Russian. In spite of dissent, the Soviet Union has been able to move the organization in the direction it desires, particularly since the oil crisis. The vulnerability of the member states has increased, as has their dependence on the Soviet Union. While the bloc itself, from Comecon's point of view, is not characterized by the kind of compulsory compliance with Soviet wishes typical of the Stalinist period, the term "monolith," as broadly construed, remains applicable as long as the Soviet Union is able to enforce its core interests. In Comecon, Moscow has chosen the road of integration to protect these interests. The extent of Moscow's success is perhaps best illustrated by its relations with Bulgaria. Sofia has been moving steadily toward a status resembling that of the "autonomous" republics of the USSR. A Bulgarian-Soviet cultural agreement calls for "an all around integration in all spheres of life."[47]

The key motivation behind the Soviet

Union's quest for bloc cohesion, at least so far, appears to be political, which would incorporate most of the multifaceted aspects of security. Economic integration, therefore, remains a matter of political will to ensure core security interests. The "Brezhnev Doctrine" enunciated in 1968 and Kosygin's statements in 1978 demonstrate that the Soviet Union does have the will and the determination to apply even extreme coercive measures to subordinate bloc interests to its own. The web of control is thus tightening. In view of the incremental nature of Soviet actions, however, there is little that the West can do directly. The appearance of Western interference in the bloc would make the Soviet Union even more determined to enforce cohesion. Therefore, the West can best affect developments through its own use of incrementalism, that is, by leaving the economic doors open to a gradual strengthening of trade and economic cooperation.

NOTES

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