When Comecon Comes Calling: The Potential for a Joint Declaration and Mutual Recognition Between the EEC and Comecon

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I. INTRODUCTION

Recent overtures by both of the leading Western and Eastern European economic organizations suggest a new phase in the relationship between two antithetical economic systems. During three days of negotiations in September 1986, officials of the European Economic Community (EEC) and the Council for Mutual Economic Assistance (Comecon) laid the groundwork for diplomatic relations and a joint declaration of intent. A second round of talks between EEC and Comecon representatives, held during three days in March 1987, pursued further the objectives of official relations and a declaration signifying mutual recognition. Such agreements, if not specifically pertaining to trade, would at least inaugurate mutual diplomatic recognition of two economic orders which together have a population of approximately 720,000,000 persons.

The September 22, 23 and 24, 1986, meetings in Geneva between EEC and Comecon representatives marked the first face-to-face encounter between officials of the two economic organizations since 1980. This followed the June 14, 1985 presentation of a letter from Comecon Secretary Vyacheslav Sychev to the


2 The Council for Mutual Economic Assistance (Comecon) member states are: Bulgaria, Cuba, Czechoslovakia, East Germany, Hungary, Mongolia, Poland, the Soviet Union and Vietnam.

Albania, which joined Comecon in 1949, opted out of participating in Comecon after breaking diplomatic relations with the Soviet Union in 1961. See Comecon Survey, The Economist, April 20, 1985, at S3 [hereinafter Comecon Survey]. Albania has never formally left Comecon. Id.

The most widely used abbreviation for the Council for Mutual Economic Assistance is Comecon, though Soviet and Eastern European publications in English normally use CMEA. See T. Hoya, East-West Trade: Comecon Law & American-Soviet Trade 4 (1984) [hereinafter East-West Trade]. There is still extensive use of the abbreviation CMEA in the West. Id.

3 See Maass, supra note 1, at D9, col. 1; Owen, supra note 1, at 7, col. 1.

4 See McCartney, supra note 1, at 18, col. 4.

5 See East-West Trade, supra note 2, at 6–7 n.9. As of 1982, Comecon's population was estimated at 448,425,000, or 9.6 percent of the estimated world population of 4,653,737,000. Id. As of 1985, the EEC's population was estimated to be 270,000,000. See Comecon Survey, supra note 2, at 54.

6 See Maass, supra note 1, at D9, col. 1.
EEC suggesting that talks begin with the aim of a mutual declaration providing for official relations.7 The March 25, 26 and 27, 1987, meetings in Geneva between EEC and Comecon representatives continued the rapprochement begun the previous year.8 Despite a cool, often hostile, 30 year relationship between the EEC and Comecon, Sychev's initiative appears to reflect the more flexible policies of Soviet leader Mikhail Gorbachev9 and occurs during a period when the EEC annually runs as much as an $11 billion annual trade deficit with Comecon.10 At the same time, the completion of talks and the task of drawing up a mutual declaration may be acknowledged as a further step in reducing East-West tensions.11

This Comment examines the background to a potential joint declaration between the EEC and Comecon. It looks at why such an agreement is being seriously considered at this stage in both organizations' development and considers whether official recognition is as advantageous as its proponents claim. First, this Comment will discuss the historical background of Comecon.12 Second, this Comment will examine the relationship between Comecon and the EEC.13 Third, this Comment will focus on events surrounding the recent negotiations between Comecon and the EEC.14 Fourth, this Comment will evaluate the merit of a negotiated agreement between Comecon and the EEC.15 The author concludes that while Comecon may have more to gain from mutual recognition than the EEC, a joint declaration of intent is in keeping with the aim of European peace inherent in the Treaty of Rome.

II. THE COUNCIL FOR MUTUAL ECONOMIC ASSISTANCE

A. Historical Background

Comecon was organized in 1949 with the aim of achieving broader economic cooperation among the states of Eastern Europe.16 Comecon's founding coincided with coordinated planning among several Western European states as a necessary step to implement the Marshall Plan.17 In the post-World War II era,

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8 See McCartney, supra note 1, at 18, col. 4.
9 See Maass, supra note 1, at 18, col. 1.
10 Id.
11 See Owen, supra note 1, at 7, col. 1.
12 See infra notes 16-41 and accompanying text.
13 See infra notes 42-57 and accompanying text.
14 See infra notes 58-78 and accompanying text.
15 See infra notes 79-93 and accompanying text.
16 See Comecon Survey, supra note 2, at S3.
17 See EAST-WEST TRADE, supra note 2, at 4. Comecon's founding states were Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania and the Soviet Union. Id. East Germany joined Comecon in 1950, followed by Mongolia in 1962, Cuba in 1972 and Vietnam in 1978. Id.
Comecon facilitated parallel paths of industrialization for the states of Eastern Europe, much as the Marshall Plan aided Western European development.18

Comecon's charter, ratified in 1960, establishes an economic community in which resources are to be allocated for the good of the community as a whole.19 Comecon's underlying theme is economic specialization by the respective member states.20 For example, East Germany is noted for its expertise in optical equipment, while Hungary is a leading exporter of buses.21 Additionally, the Comecon charter seeks to stimulate economic and technical development, eliminate the gap between its richer and poorer states, strengthen the member states' defense capacity and, significantly, enable the Comecon states to triumph in their economic competition with capitalist states.22

Comecon is comprised of five principal organs: the Session of the Council, the Executive Committee, the Secretariat, Committees and Permanent Commissions.23 The supreme authority is the Session of the Council which consists of delegations from all member states. The Session of the Council meets once a year. The Executive Committee is the chief executive organ. The Secretariat is the chief administrative organ. These organs have full powers only when representatives from all member states are present, including the right to adopt recommendations and decisions.24 In addition, there are four Committees and more than twenty Permanent Commissions.

While the EEC has created a common market in which companies have the opportunity to engage in business for profit through such mechanisms as lower tariffs, Comecon relies on central planning for economic production.25 Through coordination involving long-term planning by individual states with regard to Comecon priorities, member states decide who should specialize in what activity and determine individual contributions to joint projects.26 Capital to finance Comecon projects is provided by the International Bank for Economic Cooperation, founded in 1963, and the International Investment Bank, founded in 1970.

Access to the Soviet Union's vast reserves of oil and natural gas have made Comecon self-sufficient in energy.27 Subsequently, while the Soviet Union is only

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18 See Comecon Survey, supra note 2, at S3.
19 Id. at S4.
20 Id.
21 Id. at S10-S11. Additionally, Bulgaria's established niche includes fork-lift trucks and electronics, while Czechoslovakia has developed nuclear reactors and metal-cutting machines. Id.
22 Id. at S4.
23 See EAST-WEST TRADE, supra note 2, at 5.
24 See Schweisfurth, supra note 7, at 620. Comecon strictly rejects majority rule as contrary to the principle of sovereignty. Id. at 621.
25 See Comecon Survey, supra note 2, at S5.
26 Id. at S4.
27 Id. at S11.
one of several Comecon states, every Comecon member state is dependent upon energy supplied by the Soviet Union. By supplying fuel at prices below the world market, the Soviet Union provides Comecon states with a relatively cheap energy source. At the same time, 90 percent of jointly spent Comecon funds regularly go to energy related projects. The Soviet Union also figures prominently in joint efforts. Of the ten target programs developed by Comecon by 1980, eight were located in the Soviet Union.

B. Comecon and the EEC in Perspective

An historical perspective has led many in the West to view Comecon as an Eastern European communist counterpart to the EEC, just as many in the West have traditionally viewed the Warsaw Pact as the Eastern European communist counterpart to the North Atlantic Treaty Organization (NATO). For example, like the EEC states, Comecon states are relatively few in number, share a similar politico-economic system and have formulated some semblance of standardized trade amongst themselves. Such a view toward their apparent similarities, however, obscures the many differences between Comecon and the EEC.

Several factors differentiate Comecon from the EEC. First, unlike the EEC, Comecon membership is not limited to the boundaries of Europe. Second, while EEC membership encompasses fully industrialized states and states developing industrialized infrastructures, Comecon links some of the world’s most industrialized economies with three of the world’s least developed economies. Third, unlike the EEC, Comecon is not a supranational body with the ability to make and enforce decisions. Comecon merely makes recommendations which become binding only when approved by the communist party of each member state. Fourth, Comecon has not developed a convertible currency or an effective multilateral payments system. As a result, while some multilateral activity

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28 Id.
29 Id.
30 Id. at S6.
31 Id. at S6–S7.
32 See EAST-WEST TRADE, supra note 2, at 4. Warsaw Pact membership is the same as that of Comecon, with the exception of Cuba, Mongolia and Vietnam, which belong only to the latter. Id. at 7 n.13. Albania withdrew from the Warsaw Pact in 1968. Id.
33 See Comecon Survey, supra note 2, at S4. Comecon’s 39th regular session, held in Havana in October 1984, was its first ever outside of Europe.
34 Id. at S4. As of 1985, Mongolia annually received economic aid, including trade subsidies from other Comecon states estimated at $350 per capita. Id. at S7. Cuba annually received economic aid amounting to $70 per capita, followed by Vietnam which received aid amounting to $20 per capita. Id.
35 Id. at S4.
36 See, e.g., Schweisfurth, supra note 7, at 619.
37 See, EAST-WEST TRADE, supra note 3, at 5.
exists among the member states, most arrange to conduct the majority of their
foreign trade on a bilateral basis. Finally, while the population of Comecon is
nearly 180 million more than the EEC, its trade is roughly one-third that of the
EEC.

Two overriding historical factors distinguish the character of Comecon from
that of the EEC. First, in contrast to the EEC, Comecon membership required
that the states of Eastern Europe switch their traditional trading pattern from
West to East when the Cold War redrew the map of Europe. Likewise, while
no single state dominated the EEC from its inception, Comecon adhered to
Stalinist demands that the Eastern European states, historically market-oriented,
rebuild their economies according to the Soviet mode.

III. THE RELATIONSHIP BETWEEN COMECON AND THE EEC

Neither Comecon nor the EEC officially recognize each other. Neither has
ever had diplomatic relations with the other. Comecon has traditionally viewed
the EEC as an economic adjunct of NATO and a tool of Western multinational
companies. Similarly, the EEC has never acknowledged Comecon as its equal.
From the EEC’s point of view, Comecon has no legal personality under inter­
national law, no treaty-making power and no founding instrument similar to
the Treaty of Rome containing aims, organizational structure and powers.

Nevertheless, both Comecon and the EEC have had a de facto trade relation­
ship over the last three decades. Originally, Comecon traded with the EEC
states to supply deficiencies in its own industry. By the 1970s, however, Come­
con’s trade with Western Europe was recognized as a pivotal factor in its strategy
to accelerate technological progress and increase productivity. Comecon’s im­
port-led growth strategy was based on the belief that a short-term rapid increase
in Western capital and technology would facilitate long-term domestic growth
and improve export capabilities. Comecon, however, has had no uniform

38 Id.
39 See Comecon Survey, supra note 2, at S5. In 1979 Comecon’s gross national product (GNP) was
$1,527,840,000,000. See EAST-WEST TRADE, supra note 2, at 7 n.11.
40 See Comecon Survey, supra note 2, at S3.
41 Id.
42 See Maass, supra note 1, at D9, col. 1.
43 Id.
44 Id.
45 See, e.g., Boyes, Comecon Puts Out Feelers in Quest for First Direct Links with the EEC, The Times (London), June 20, 1985, at 5, col. 1 [hereinafter Boyes].
46 See Schweifurth, supra note 7, at 617–18, 624.
48 Id. at 22–23.
49 Id. at 23.
policy regarding this Western import-based strategy. Thus, while states such as the Soviet Union traditionally have kept their percentage of imports relatively unchanged, states such as Poland have in the past shown considerable enthusiasm for imported goods, especially during the 1970s.\textsuperscript{50} Comecon's vulnerability to an import-based economic strategy was exposed beginning in the early 1980s when Western European banks reduced the availability of credit which had fueled this Western-oriented economic scheme.\textsuperscript{51}

While Comecon continues to depend on Western European capital and technology, it has been losing ground as an important customer of the EEC. For example, in 1973, 4.3 percent of EEC exports were sold to Comecon.\textsuperscript{52} By 1982 that share had fallen to 3.3 percent.\textsuperscript{53} Trade relations between the EEC and Comecon are not symmetrical. While trade with Comecon represents a small part of total EEC trade, trade with the EEC accounts for a sizeable share of Comecon's external trade.\textsuperscript{54} Though the percentage of actual trade with Comecon remains small, the EEC has a relatively liberal trade policy with Comecon. The EEC grants \textit{de jure} or \textit{de facto} most favored nation status to all Comecon states, enabling them to benefit from the successive tariff reductions under the various rounds of multilateral tariff negotiations.\textsuperscript{55} Nevertheless, some voluntary export restraints have been negotiated between EEC and Comecon states.\textsuperscript{56} Despite attempts at protectionism in the 1980s, Comecon exports to the EEC were expanding at three times the rate of EEC exports to Comecon.\textsuperscript{57}

\textbf{IV. RECENT DEVELOPMENTS}

The recent dialogue between Comecon and the EEC over mutual recognition has its roots in a February 1976 draft agreement proposed by Comecon and a subsequent November 1977 draft agreement proposed by the EEC suggesting the establishment of "working relations" between the two organizations.\textsuperscript{58} While the Comecon agenda emphasized a joint declaration with the EEC, the EEC proposal stressed individual trade and economic negotiations with the respective Comecon states.\textsuperscript{59} Negotiations over similar proposals made by both organizations in 1980 broke off following the Soviet Union's invasion of Afghanistan.\textsuperscript{60}

\textsuperscript{50} Id.
\textsuperscript{51} See \textit{Comecon Survey}, supra note 2, at 55.
\textsuperscript{52} See Yannopoulos, supra note 47, at 29.
\textsuperscript{53} Id.
\textsuperscript{54} Id.
\textsuperscript{55} Id. at 30.
\textsuperscript{56} Id. at 31.
\textsuperscript{57} Id. at 33.
\textsuperscript{58} See Schweisfurth, supra note 7, at 616.
\textsuperscript{59} Id.
\textsuperscript{60} See The Times (London), June 15, 1985, at 5, col. 7.
In June 1984, Comecon held its first summit in fifteen years in order to assess the economic organization's future. Several factors appear to have influenced the decision to meet. First, Poland's enthusiastic import-led strategy had created a heavy debt burden with the West and had influenced the 1981 decision to impose martial law in that state. Second, the debt crisis which followed in the wake of Poland's upheaval had plunged Comecon into a recession. Third, the Soviet Union's own economic problems caused it to worry over the burden of its trade subsidies to Eastern Europe. Finally, beginning in 1982 the Reagan Administration proposed limiting the access of Comecon states to high technology equipment.

Two additional factors suggest the impending need for Comecon to reevaluate its position relative to the EEC. For one, the EEC had concluded a bilateral trade agreement with Rumania in 1980 which was outside the competence of Comecon. Similarly, at the time of the 1984 summit, Hungary had been negotiating with the EEC for a similar agreement. A second factor indicating the need for reappraisal was the impressive inroads made by low-priced Asian manufactured goods exported to Western Europe at the expense of Eastern European goods sold there in exchange for hard currency.

With the traditional Western props of credit and technology curbed, Comecon's 1984 Moscow summit addressed whether the door to East-West trade should remain open, how much and on what terms the Soviet Union would supply the material for future development, and whether freer reins should be given to market forces. Among the conclusions reached was an endorsement of East-West trade, but with the caveat that Comecon members look first to Comecon for the advanced equipment which might otherwise be more readily available in the West.

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61 See Comecon Survey, supra note 2, at S6.
62 See Boyes, supra note 45, at 5, col. 1.
64 See Comecon Survey, supra note 2, at S5.
66 See Schweisfurth, supra note 7, at 654.
67 See Comecon Survey, supra note 2, at S17. See also A Comecon Exemplar, The Economist, July 6, 1985, at 64.
68 See Comecon Survey, supra note 2, at S17.
69 Id. at S5–S6. See also Chernenko's Chunterers, The Economist, April 21, 1984, at 18.
70 See Comecon Survey, supra note 2, at S6.
Comecon’s suggestion at its annual meeting in Warsaw in 1985 that talks resume on establishing formal relations with the EEC was greeted by Western Europeans with the cautious skepticism that characterized the 1976 and 1980 proposals.71 The EEC reiterated its position that Comecon was more of a consultative association than an integrated community, and subsequently not on par with the EEC.72 Likewise, while emphasizing the need for official links with the EEC, the 1985 meeting condemned “imperialist forces” for exploiting the weaknesses of the Eastern European economies.73 On October 23, 1985, the EEC politely rebuffed Comecon’s offer of direct talks.74 Nonetheless, the door to a continued dialogue between Comecon and the EEC was kept ajar.75

The EEC’s interest in further negotiations was evidenced by its January 31, 1986 communique to Comecon encouraging mutual recognition and a joint declaration on political and economic relations.76 This was followed in September 1986 by three days of meetings in Geneva, and the promise of several more months of lengthy and intricate negotiations.77 At Geneva the EEC delegation proposed a two-track negotiating policy with Comecon. As in the past, the EEC indicated that it desired formal relations with Comecon, but insisted that any diplomatic agreement be accompanied by separate and comprehensive trade pacts with each Comecon state.78

A second round of talks between the EEC and Comecon was held during three days in March 1987, at which time Comecon representatives dropped their insistence that Comecon be treated as an equivalent to the EEC.79 Comecon accepted the parallel approach favored by the EEC, under which the EEC could continue to negotiate trade agreements with individual Comecon states rather than with Comecon as a whole.80 While confident that a joint, high-level decla-

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71 See generally Boyes, supra note 45, at 5, col. 1.
72 Id.
73 See Boyes, Comecon Tries to Bridge Technology Gap Between East and West, The Times (London), June 26, 1985, at 7, col. 1. At the 1985 Warsaw meeting, Soviet Premier Nikolai Tikhonov spoke before Comecon leaders warning that “imperialist forces” were “intensifying activities aimed against the socialist states, seeking to weaken economically socialism and the unity of our community.” Id.
74 See Owen, EEC Rebuff Gobachov on Direct Talks with Comecon, The Times (London), Oct. 24, 1985, at 10, col. 1. Willy de Clercq, EEC Commissioner for External Relations said that the EEC favored relations with Comecon, but “in an appropriate form.” Id. He stated: “It would not be in our [EEC] interests, nor in theirs, to subordinate our present or future relations with these countries to a bloc-to-bloc approach, and to make of Comecon a kind of intermediary between the Community and those Comecon member countries which wish to maintain relations with us.” Id.
75 See generally id.
77 See Maass, supra note 1, at D9, col. 1; Owen, supra note 1, at 7, col. 1.
78 See Maass, supra note 1, at D9, col. 1.
79 See McCartney, supra note 1, at 18, col. 4.
80 Id.
ration was close at hand, Comecon officials rejected an EEC proposed clause recognizing West Berlin as an integral part of the EEC.81

V. PROSPECTS FOR A JOINT DECLARATION

Despite the fact that the EEC relies on Comecon for only a fraction of its annual volume of trade, it cannot avoid the fact that it shares geographic proximity with an economic alliance of the six states of Eastern Europe. The significance of Comecon should not be underestimated.82 It unites the West's principal economic and military rivals. Its members form a tenth of the world's population and produce at least a tenth of the world's income.83 Moreover, no single member of Comecon, except for the Soviet Union, can seriously consider divorcing itself from the organization, indicating that Comecon's continued existence is relatively certain.84 Western Europeans, however, continue to express reservations about a joint declaration between Comecon and the EEC.85

Three dangers in particular worry Western Europeans. First, there are concerns that the EEC's closer relationship with Comecon would give the Soviet Union, with its dominance of Comecon, more control over East-West commerce.86 Second, EEC officials have traditionally argued that any agreement with Comecon would give that organization undue prestige and the appearance of parity that the EEC refutes.87 Third, many in Western Europe and the United States believe that such an agreement would only serve to decrease U.S. influence in the EEC.88

The fear of increasing Soviet hegemony over East-West trade following a joint declaration between Comecon and the EEC would appear unwarranted. The proposed agreement does not entail specific trade provisions and suggests only a working relationship between Comecon and the EEC. More importantly, following the March 1987 negotiations, Comecon provided the EEC with assurance that it may approach individual Comecon states in order to negotiate bilateral trade agreements. The EEC desire to deal on a bilateral basis with Comecon states undoubtedly takes into consideration the predominant role of the Soviet Union over Eastern Europe.

The enhancement of Comecon's international prestige following a joint declaration with the EEC is less of a significant consideration in light of Comecon's

81 Id.
82 See Comecon Survey, supra note 2, at S3.
83 Id.
84 Id. at S9.
85 Id. at S3.
86 See Maass, supra note 1, at D9, col. 1.
87 Id. See generally Not Wanted on Voyage [editorial], The Times (London), June 29, 1985, at 9, col. 1.
88 See Maass, supra note 1, at D9, col. 1.
existing formal relationships with other international organizations. Comecon has concluded agreements with the International Atomic Energy Agency, the World Health Organization, and the International Labor Organization, among other groups.89 Comecon's overtures may even add to the EEC's own clout. In 1986, Secretary Gorbachev publicly discussed a plan to model Comecon along lines closely resembling the EEC.90

The position that any agreement between Comecon and the EEC would undermine U.S. influence in Western Europe appears premature.91 For instance, since an "Agreement on Cooperation" was signed in 1975 between Comecon and Mexico, there has been little basis to conclude that U.S. influence in Mexico has deteriorated on account of such an agreement.92 Rather, Comecon's relationship with Mexico has merely served to familiarize that state with Eastern European manufactured goods.93

VI. Conclusion

A strong argument may be made that the EEC would receive little in return for its investment in a joint declaration with Comecon. Alternately, the background of 30 years of East-West trade indicates that de facto mutual recognition already exists and need not be formalized. Nonetheless, the EEC is in a position to set the agenda, for example, by demanding the inclusion of bilateral trading agreements. At least for the EEC, there is no hurry to conclude an agreement with Comecon. In the long-run, an agreement with Comecon would endeavor to bring peace to Europe, the goal of the Treaty of Rome. Comecon, however, probably does not want to wait another decade for a joint declaration with the EEC. Comecon seeks rapprochement with Western Europe after the economic turbulence of the early 1980s and an agreement with the EEC offers the impetus for new directions in the 1990s.

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89 See Schweisfurth, supra note 7, at 626.
90 See Boyes, Gorbachev Silent on Jaruzelski Plea, The Times (London), July 5, 1986, at 5, col. 4. In an interview with Polish television, Gorbachev stated: "So far we [Comecon] have had simple commodity exchange but further economic relations will be characterized by the development of co-production ties, direct links between collectives." Id.
91 See, e.g., Latin America Watch, NATIONAL REVIEW, Dec. 28, 1984, at 17 [hereinafter Latin America Watch].
92 See generally Schweisfurth, supra note 7, at 626.
93 See Latin America Watch, supra note 91, at 17.