

THE ECONOMIC INTERSTATE INTEGRATION WITHIN THE POST-WAR AGE (EEC AND CMEA)

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The second world conflagration left deep tracks in the economic area, both by losing important producer goods and by reducing the labor force. Thus, the economy of the belligerent countries – and not only – had suffered due to actions related to supporting the military efforts and destructions induced by the parts involved in the conflict by bombardments, sabotage, the *parched field* tactics and so on. The military plans of destructing the enemy's economical potential mostly aimed the industrial capacities, the rail-way, road and navy infrastructure, houses etc. A further assessment of the destructions provoked during the war established their value at about \$2000 billion, at the 1945 exchange rate.

On the other hand, the military confrontations deployed during almost six years, determined important lost of human lives, which affected the economy by the appearance of a chronic lack of labor force.

In addition to all these, we assist at a diminution of the living conditions due to destructions, dysfunctions in acquiring prime necessity products, prorations, requisitions etc.

Under these conditions, the development of many countries and of the world economy within the first years after the war was profoundly touched by the world spread conflagration. The first measures adopted by the authorities of the belligerent countries aimed the transition of the economy from the war state to peace and recovery actions.

We also have to underline that, within the first years after the war, a political and ideological division occurred between the former allies (USSR and the satellite Eastern European countries on one hand and the Western European countries on the other hand).

This situation determined the development of concerns that aimed creating new international organizations and institutions, whose role was to contribute to the creation and consolidation of the interstate economical relations and to support their social-economical development. Under this context, tendencies of interstate integration had appeared that had, besides the economical goals, political and ideological connotations.

On the regional and zone level, the post-war world adopted almost unanimously the interstate economical integration principle, that had the advantage of coordinating efforts in order to accelerate the social-economical growth and development. Based on this principle – known in the literature as the interstate economical integration – economical communities were established.

As a matter of fact, the idea of European integration promoted at the end of World War II wasn't new, but it had originated in the western Middle Ages. From the political point of view, the most important effort to put it into practice was the proposal made by France through its Minister of Foreign Affairs, Aristide Briand, in front of the Nations Society, on September 5th 1929 that stipulated the creation of a federation called the *European Union*. This idea was further developed in the French Government *Memorandum* sent to the European Governments and presented to the Nations Society on May 1st 1930. The Memorandum proposed a Permanent Political Committee and a Secretariat. The economical dimension of the European Union project was based on getting closer the European countries economies, whose political responsibility was yet left to the governments. It can be seen that the economical and political definition of the European Union projected in 1930 was very close to what it would be, 60 years later, the 1992 European Union. This initiative didn't materialize due to the profound economical crisis and also to the strong ascension of the German social-nationalism.

Later on, during the World War II, in a Memorandum presented by W. Churchill on October 1942, the *United States of Europe* formula was launched. In 1946, stating the soviet threat, the politician revised the idea.

The political will of the Western European countries to accelerate the recovery after the war and the future economic development based on the economic integration principle materialized in the foundation, in 1948, of the European Economic Cooperation Organization (EECO) and, in 1949, of the European Council. During this period, the Western European countries were in the middle of the economic

reconstruction process and EECO was created for a better management of the American aid, provided by the Marshall Plan.

The drawing-up of the Marshall Plan was determined by the American administration fear that a certain part of the European countries that were facing economical, political and social problems determined by the war would under the influence of the communist ideology. This situation determined USA to present the *European Reconstruction Plan*, known as the *Marshall Plan*.

The response was immediate, 16 European countries gathered together (except Germany, Spain and the Eastern European countries) and decided on the common management of the American aid by founding EECO (April 16th 1948). USA and Canada were participating to EECO as associates, without the right to vote.

The American aid had a substantial contribution to the recovery and development of the beneficiary countries economies.

The beginning of the European integration process – characterized by original and specific features – might be considered the year 1959, when the French Minister of Foreign Affairs, Robert Schuman, proposed the involvement of several European countries in a cooperation project that implied the transfer of sovereignty to an organization having a power of constraint on its members. The initiative consisted in the integration of France and Germany coal and steel production within an organization opened to the accession of other European countries. In 1951, Belgium, France, Italy, Luxemburg and Holland were signing the Treaty of Paris that established the European Coal and Steel Community (ECSC) throughout which competences were transferred to an institution (the High Authority) responsible with the decision-making, independent of the member states consensus of opinion.

Another initiative was the foundation, in 1952, of the European Defense Community (EDC), initiative that failed due to the fact that the French Parliament never signed the afferent treaty.

The revival of the European integration took place in 1955 within the Messina Conference, where EECO's foreign ministers decided on the establishment of an economic union based on a common market and on the establishment of an atomic energy organization. These initiatives materialized in 1957, by signing two treaties in Rome that established the foundation of the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM).

In the same time, in the Central and Eastern European part of the continent, being under Soviet influence, an isolationist policy was established by the foundation of an international organization for multilateral economic and technical-scientific cooperation called the *Council for Mutual Economic Assistance (CMEA)*, founded on January 25th 1949. The organization was a reaction to the Marshall Plan and to the Western European economic interstate integration.

The foundation of CMEA after the World War II was determined by a complex of factors based on the economic and political struggles of the time. The most important are: Joseph Stalin's desire to enforce the Soviet domination on the Eastern European states, the tempering of some of these states regarding their interest in the Marshall Plan and also the intention to counterwork the commercial boycott enforced shortly after WWII by USA, Great Britain and the Western European countries.

The official goal of the organization was to offer the member states the possibility to share economic experiences, to extent the mutual technical aid and to contribute to the mutual aid related to materials, food supplies, machines, equipments etc.

For over a decade after its foundation, CMEA lacked a defined structure and operated without a statute. All this along with the fact that CMEA sessions convened ad-hoc (until 1955) reflected on the narrow goals of CMEA and on the response character to the Marshall Plan.

EEC versus CMEA

Even if both organizations had as goal the economic integration of the subscriber countries, there was a range of distinctions between them, the most relevant of them being related to the economic structure, size, balance and influence.

Taking size into consideration, EEC included 270 million citizens of Western European countries in an economic organization that was regional level integrated and wasn't based on ideological principles. The

economic discrepancies between the member states were quite small and the members aimed reaching a certain level of industrialization.

The Treaty of Rome stipulated this organization's goals: to ensure the proper conditions for the freedom of movement of goods, labor force, services and capitals, to establish a common policy for agriculture, transports energy and the coordination of member states economical policies etc.

On the other hand, CMEA summed up 450 million people from 10 countries on three continents. Within this structure, USSR owned 90% of the organization member's territory and of the energetic resources and 70% of the population.

The industrialization level was very different from country to country, the organization having under its patronage three underdeveloped countries – Vietnam, Cuba and Mongolia – and several over industrialized countries. There also was a great difference between the national incomes of the European states and the non-European members.

The variety of economies level and the economic development level determined divergences between the member states expectations on the benefits as a result of the accession to CMEA.

Within the EEC, members considered themselves equal partners of a super-national organization that succeeded in achieving the transfer of sovereignty from the member states to the "Community". Thus, the transfer of sovereignty meant a delegation – from the Community founder members to certain common institutions – of the power of decision on certain common aspects, according to the democracy and rules of law principles. This proves that EEC was a transparent organization, with well-determined goals, where the member states had equal rights.

Physical size, military power and economic and political resources made the USSR a dominant member of the CMEA. Thus, the main management institutions were in Moscow, the top management was assured by the Soviets, all these elements proving this country's role within the organization.

The organization's existence was also influenced by the ratio of forces between the member states and USSR. Within the organization, USSR had much more advantages (political, economic, military), which gave it the opportunity to influence the decisions. Thus, the political advantages were determined by the fact that Moscow was the center of power, the economic ones came out of the importance of its natural resources, and military, USSR was the second military force in the world after USA.

In the trade between the member states and CMEA, USSR usually provided the raw materials, and the Eastern European countries provided equipments and finished machines. The three underdeveloped countries had a special relationship with the other seven countries. CMEA affected rather more political than economic discrepancies between its main contributors against the three underdeveloped economies.

The Soviets tried to enforce their political power on the other members of the organization, but this always came across the **sovereignty equality** principle existent within CMEA, upon which its members had the right not to participate to any projects if these weren't in their benefit. Thus, neither CMEA nor USSR as a major force within the organization had supranational authority. Even if this offered a certain degree of freedom against the economic domination, USSR deprived CMEA of the necessary power to achieve maximum economic efficiency.

The members' economic interests ensured the EEC unity, the intention to establish a single market, a custom union and the adoption of a common economic policy. Geographically, there was unity between the member states as they were situated in the western region of Europe.

Within EEC, the unity was ensured through political and economic factors. All the members of the organization were united by "*a communion of fundamental class interest and the Marxist-Leninist ideology*" had common approaches on the form of economic property (public versus private) and management (planned versus market economy). In 1949, the COMINFORM united the communist government parties at international level. Although COMINFORM was abandoned in 1956, the ties between these parties kept on being strong even afterwards, as a result to regular international conferences of the communist parties. Geographically, there was no unity between the member states as they were situated on three continents.

Decision-making

Within EEC, the citizens were consulted on the decision making by dint of polls. Thus, they adopted the common decision making principle in the areas considered of transborder importance, in areas regarding the cooperation with the developing countries, the scientific cooperation and the drugs traffic and consumption combat etc. At the national governments level, decision-making mechanisms had been kept in areas that affected the citizens directly, especially those in health, social protection, education, and culture areas.

This decision making mechanism based on the subsidiarity principle, meaning that the member states were deciding together at the community institutions level, but only on those issues which could have been solved better at that level than at the national one. The decisions proving to be more efficient at the state or regional level, that is closer to the citizens, must be still adopted without the organization's interference.

Regarding to the materialization of the community policy, EEC used the following modalities: *recommendations* – which had an orientative character – *regulations* and *directives* – mandatory from all points of view. After approving a decision or law at the community level, these became mandatory, their breach being sanctioned by the Court of Justice.

Within CMEA, the recommendations and the decision making could have been adopted only after the existence of a consensus between the concerned member states and after every member declared itself “concerned” about the issue taken into consideration. According to the statute, the decisions and recommendations didn't apply to the countries declared uninterested in a particular matter.

Although CMEA acknowledged the unanimity principle in the decision-making, the uninterested parties didn't have veto right, but they abstained from attending. A lack of interest declaration couldn't block a project; the interested countries continuing without the disinterested member who could further adhere to the decisions and recommendations adopted by the other members.

The economic integration between achievements and failures

The founding treaty of EEC stipulated the establishment of: a single market, a custom union and a common policy. The Community's main mission was the foundation of a single market, based on “the four freedoms”: the free movement of people, services, goods and capitals.

The foundation of a single market meant not only the liquidation of all existing barriers in the free movement of goods and the establishment of a single custom duty (the custom union) but also the establishment of a common policy in strategic areas (agriculture, trade, transportation and competition) in order to create optimal conditions for increasing economic activities performances.

EEC aimed the foundation of a custom union, in order to gradually remove, in a 10-year period of time, the custom import and export duties in the trade relations between the signatory states; quantitative restriction and non – tariffing barriers were gradually removed from the mutual trade; a common policy was introduced towards third-parties; the economic and monetary union materialized, viewing the foundation of a community policy regarding investments and the monetary system, the coordination of the general and social economy, common measures to remedy the member states balance of payments deficit, the insertion of total mutual and irreversible conversion of the member states currencies and the insertion of a single currency.

Thus, in 1986, EEC had already concluded the custom union and had a single agricultural market.

Later on, this gradually achieving plan of an economic and monetary union was completed by adding new elements, stating even the member states aspiration to create a European Union and to achieve the single common market, which to represent *a free internal borders area, where to ensure the free movement of goods, people, services and goods, its functioning regulation having to be established by the end of 1982.*

Regarding the cooperation between EEC member states, these showed their availability to *work together* in order to achieve certain common goals, but also preserved their sovereignty. As a consequence, the unification efforts based on the cooperation concept had not as an ultimate goal the creation of *a post-national political unity*, but were limited to achieving a sovereign states union, where the national structure preserved intact without creating a supranational integrate level.

Unlike EEC, within CMEA, the economic integration of the member states has been permanently had in view. In the first stage, this has been tried by coordinating the plans of economic development for a 5 year –period and later by coordinating the perspective plans. In the last stage, it was had in view the planning of some activities established on time. In this context, the member states didn't appreciate the existence of a unique plan of the economic activity, this leading to some negative aspects coming out in the Council. Another objective of the organization that arose disputes between the members was the intention of production specialization. This objective was considered to be a control element for the economic integration. The member states had a different view on this objective. Thus, the developed states have adopted a certain attitude that followed their own development and those less developed followed the discrepancy recovery and the production specialization was not an advantage for them.

A thorough analyses shows that the specialization process has been achieved especially within the machine building industry and some branches of the heavy industry.

The trade relationships between the member states were characterized by lack of elasticity, being especially bilateral cooperation relationships. Within the 9th session of CMEA, there were stated the principles of price estimation, that had to take into account the goods value and the international market fluctuation. The Council was not able to elaborate its own price basis, that's why they couldn't influence the international market.

An element, which made problems in creating a unique system of prices at the organization level, was the lack of a unique currency. Ruble was used, but only within CMEA countries. This trouble has also created inconveniences in establishing a unique system of tariffs and taxes at the organization level.

The CMEA member states have created credit institutions within the organization such as: The International Bank of Economic Cooperation and since 1971 the International Bank of Investments. As well as in the other fields, the results were not spectacular. Thus, the credits were preeminently directed to USSR that wished to valorify their resources and develop their economy.

During the existence of CMEA there were different proposals for programs of activity efficaciousness. In 1962, Poland proposed a plan for creating a super state planning body. This proposal was refused by some member states of the organization. Things have changed ten years later when, at CMEA session from Bucharest (1971) the "Complex Program of widening and improving the Cooperation and Development of the Socialist Economy Integration of CMEA Member States". As a new cooperation technique, it was proposed "the coordination of CMEA interested member countries activity" concerning the trade economic, financial, credit policy in the planning field, in science and technique development, creation of economic organizations between the member countries, getting raw materials and fuel, purchasing and using certificates, licenses, improving the price system in foreign trade.

The year 1979 brought new changes of CMEA Statute, representing a new stage in the organization evolution. Among the Council duties we can now mention the improving of labor socialist international division through: organizing mutual consulting, drawing up long-term cooperation plans, specializing and cooperating in production.

In the '80s years the organization had in view the joining of objectives foreseeing the economic efficaciousness with the political objectives, respectively "the civil competition with capitalism". After 1986, the crises within CMEA seemed to become deeper and deeper when many projects of economic development drawn in the previous period didn't have any results.

The aftermaths of changing and reorganizing the old CMEA system have proved the organization crises. Phenomena such as the constant decreasing of mutual changes, unfulfilment of liabilities mutually assumed, the incapacity of adopting to the worldwide novelties (trade, technical progress, competitiveness). The impossibility of a strict determination of the economic efficiency of changes and their equivalence made another approved of the economic cooperation made another approach of the economic cooperation between the CMEA states. The CMEA session of October 1987 caused many discussions covering the mechanism reorganization of the multilateral cooperation and socialist economic integration within CMEA.

There were proposed especially the improving of planning tools of goods – money relationships and the increasing of CMEA role in the cooperation between the member states. There were also mentioned the increasing of national economies complementarity, the equalizing of the economic development levels, the creation of a united market of goods and services. This opinion was supported by Bulgaria,

Czechoslovakia, Cuba, German Democratic Republic, Mongolia, Poland, Hungary, USSR and Vietnam. This reorganization was to be achieved by reinforcing the economic system. Moreover, they had in view the improving of the price creation system, of the financial-currency and credit system, of the mutual consulting system regarding the trade relationships with third countries and their trade groups as well as the improving of CMEA structure.

After 1985, some changes in the opinion of some leaders from Moscow have encouraged a liberty of relationships between the CMEA member states, that allowed CMEA to cut its way through EEC. Thus, June 25, 1988 the Mutual Declaration was signed by the delegates of these organizations, whereby they agreed upon establishing special relationships between them. According to this document every member state of CMEA could establish relationships with EEC and trade and cooperation agreements could be negotiated, that could place the economic relationships on stable legal bases. Therefore, in August 1989 they stated diplomatic relationships with EEC: German Democratic Republic, Bulgaria, Hungary and USSR, than with Vietnam and Cuba and in January 1990 with Romania.

In May 1990, from French initiative, 42 countries signed the Statute of the European Bank of Reconstruction and Development. This institution joined for the first time countries from the Eastern and Western Europe as well as other countries and has as main objective of its activity the investment promotion in Central and Eastern Europe to reduce the financing risks, to facilitate the transition to the market economy of these countries and to accelerate the structural changes.

CMEA ceased to exist after the communism fall in Eastern Europe and was officially dissolved on June 28, 1991.

Conclusions

The idea of economic integration appeared as a consequence of the intention of some politicians to improve the European economic climate and prevent the war.

The creation of the two organizations EEC and CMEA was determined by political, economic and ideological interests and depend the division into two blocs of the European states.

The reasons that determined the creation of these organizations, the structure, the economic development level, the goals and achievements were different and proved the EEC viability which, later, will be changed in the European Community and then in the European Union.

Unlike EEC, CMEA didn't have special achievements and ceased to exist at the same time when the political, ideological and military ruling of USSR over the states from the central and Eastern Europe ceased to be.

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