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Standing in the Mirror of World Capitalism: Economic Globalization, the Soviet Union, and the COMECON

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**Standing in the Mirror of World Capitalism: Economic Globalization, the Soviet
Union, and the COMECON**
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I. Introduction

Two of the most defining features of the late 20th century are the collapse of the Soviet sphere and the emergence of an increasingly transnational economic system, a process commonly referred to as “globalization”. This paper is an initial effort at investigating the relationship between these two historical developments, by examining some of the ways in which the Soviet Union and its East European satellite states, in the context of their economic relationship with one another, responded to globalizing forces. The underlying aim is to begin the task of outlining and explaining the role that globalization played in the collapse of the Soviet sphere.

The term “globalization” has acquired numerous meanings over the past two decades. My research is concerned with this phenomenon in a strictly economic sense. More specifically, this paper focuses on the rise of transnational vertically-integrated production networks, the emergence of transnational corporations overseeing and directing these operations, and the growth of world trade in the post-war period, with each of these being conceived of as aspects of contemporary economic globalization.

I examine the significance of these three “globalizing” processes for Soviet-East European economic integration, arguing that the changes unfolding in the capitalist “West” found expression in the Soviet sphere on two levels. First, efforts to further integrate the Soviet-East European economies during the 1970s bore a notable similarity to the transnationalization of production occurring in the world capitalist economy. Second, these efforts to deepen Soviet-East European economic ties were undercut by a geographic expansion of world trade occurring at the same time, which increasingly drew the economies of the Soviet sphere into the orbit of the world capitalist economy.

Sorting out the nature and significance of the relationship between economic globalization in the “West” on the one hand, and economic integration in the “East” on the other, is a complex issue. I do not attempt here to give a causal argument about the direction of this relationship, although I do believe such an explanation is both possible and necessary. Rather, the purpose of this paper is largely descriptive, with the goal being to establish that such a relationship did indeed exist, to outline its general features, and to pose some possible conclusions about its significance for our understanding of the reasons for the collapse of the Soviet Union. Although limited it is in its causal analysis, this paper does seek to address a historical question which has been largely ignored by scholars writing on the disintegration of the Soviet sphere and those writing on economic globalization—that is, the relationship between the two.

Generally speaking, the literature on various aspects of economic globalization—its historical evolution, basic features, impact on state capacity, etc.— does not address the Soviet Union and Eastern Europe (see for example Dicken 1992; Frankel 1997; Weiss 1998). Those who do address the impact of globalization on Russia and Eastern Europe almost uniformly turn to the late 1980’s and thereafter as the time frame for their analysis (see for example Chase-Dunn 1992a; Gutierrez del Cid 1996; Kearns 1994; Lockwood 2000; Robinson 1999). With some exceptions that I will discuss in more detail below, the scholarly literature explaining the collapse of the Soviet sphere generally ignores the

question of globalization and the broader question of the relationship of this region to the world economy. Instead scholars focus on the domestic economic, political, ideological, and cultural processes underlying the collapse (see for example De Tinguy 1997; Ellman and Kontorovich 1992; Ibov 1997; Kotz and Weir 1997; Misztal 1993; Vishnevsky 1997) or on questions of a more geopolitical nature (see for example Collins 1995; Levesque 1997; Shoumikhin 1997).

The question of the relationship between the Soviet Union and the world economy—the character of this relationship, its potentialities, pitfalls, and contradictions—dates back to the earliest days of the Russian Revolution and even before. The social origins of the Revolution itself were explained by its greatest biographer, at least in part, as the product of Russia's ties to the world capitalist system (Trotsky 1996). In the 1920s, the debate over the appropriate course for the Soviet Union's economic relationship with the world economy and Stalin's program of "socialism in one country" unleashed a ferocious intellectual and political battle that was only quelled by the political repression and in many cases, physical extermination, of all those who opposed the road of national Bolshevism (Rogovin 1998). Even despite these extraordinary measures, the notion that there was something inherently problematic in the relationship between the Soviet Union and the world economy emerged repeatedly in intellectual and political advisory circles over the course of the country's history (Belyayev 1973; Ivanov 1978; Lewin 1991).

Scholars writing from the world-systems perspective, due to the theoretical foundations of their perspective, naturally pick up on this question in their writings on the Soviet Union. According to this paradigm, the economic and political development of the Soviet sphere has always been bound up with changes in the larger world economy (Chase-Dunn 1980; Chase-Dunn 1992b; Gunder Frank 1980; Gunder Frank 1992; Wallerstein 1974). In his assessment of the Soviet collapse, Chase-Dunn argues that "the most recent expansion of capitalist integration, termed 'globalization of the economy,' has made autarchic national economic planning seem anachronistic" (1992b: 175).

While I accept the general thesis of the world-system theorists that the Soviet sphere was embedded in a world economy and therefore subject to its developmental logic, with the exception of writings on trade relations (Gunder Frank 1980), this scholarship tends to be weak in terms of outlining the relationship between the Soviet sphere and the world economy. In contradistinction, I seek to demonstrate how the contradictory relationship between "East" and "West" manifested itself under a particular set of historical conditions.

II. Globalization

Economic globalization in the post-war period is distinguished by several inter-related processes, two of which—the expansion of world trade, particularly in the area of manufactured goods, and the emergence of transnational corporations overseeing a vertically-integrated production process unfolding across national borders (Bernard 1994; Dicken 1988; Dicken 1992; Gilpin 1987; Held 1999)—are particularly relevant for the subject of this paper.

From 1960-1988, total world exports consistently outstripped production, even as both grew in absolute terms. International trade in manufactured goods has occupied the central role in this process (Dicken 1992). In part, this global movement of commodities was bound up with the emergence of multinational corporations. These types of companies began materializing *en force* in the immediate aftermath of the war and then grew rapidly in number and geographic reach during the 1960s and thereafter (Dicken 1992; Held 1999). With the physical spreading out of businesses, intra-firm trade began to account for a large proportion of the goods traversing national borders. Corporations internalized a process previously negotiated by the market, thereby facilitating corporate control and coordination over dispersed activities. The financial disturbances of the 1970s provided businesses with further reason to avoid the vagaries of international markets. By 1977 nearly 50% of US imports consisted of intra-firm transfers (Dicken 1988; Gilpin 1987; Held 1999; Kenwood and Lougheed 1983).

For approximately the first twenty-years of their development, multinationals tended to be hemmed in by the national borders where they were located, with production occurring locally and sales often oriented towards regional markets, despite their global dispersion. However, this “horizontal production” system (Gilpin 2000) eventually gave way to transnational vertically integrated production (TVI) – the breaking up of the manufacturing process of a single good across national borders – under the oversight of transnational corporations. This distinctive form of economic activity was virtually non-existent in the early 1960s, but emerged rapidly in the latter years of that decade and then throughout the 1970s and the years to follow (Dicken 1992; Held 1999).

Taken together, the expansion of world trade and the transnationalization of production are viewed by many as quantitative and qualitative expressions of the increasingly global character of economic activity in the world system during the post-war period (Bernard 1994; Cox 1994; Dicken 1992; Gilpin 1987; Palloix 1975; Palloix 1977). During the 1970s both of these phenomena began to have increasing significance for the Soviet sphere, with transnational production systems becoming more widespread and entrenched and with the East European countries becoming more integrated into global trade networks.

III. The COMECON

In order to examine the relationship between the transnationalization of production and the expansion of world trade occurring in the West and economic changes unfolding simultaneously in the “East” on the other, I revisit a unit of analysis that has fallen into disuse over the past fifteen years—the Council for Mutual Economic Assistance (COMECON). Established in 1949, the COMECON initially consisted of Hungary, Albania, Poland, Czechoslovakia, Bulgaria, Romania, the Soviet Union, and was later joined by East Germany (1950), Mongolia (1962), Cuba (1972), and Vietnam (1978). However, the six European participants formed the economic and political core of the bloc. I chose the COMECON as the site for my research because it is the best medium through which to analyze the significance of economic globalization for the Soviet sphere in terms of Soviet-East European integration and aggregate regional shifts in East-West trade.

As a Soviet response to the US Marshall Plan, the COMECON was designed to orient the political and economic focus of the East European countries towards the USSR and to provide an institutional basis through which Soviet domination over the region could be exercised. In its initial years—the 1950s—COMECON development largely consisted of a spate of organizational measures that created its institutional framework. Outside of the 1949 charter establishing the bloc’s existence, there was no written program for COMECON economic development. The official term for relations between the member states was “fraternal economic cooperation”. For the East European countries, this decade was largely defined by the adoption of the Stalinist national autarkic model of development, with heavy emphasis placed on rapid industrialization and self-sufficiency. Despite the emergence of a regional network of Soviet-type economies and the political domination of the USSR over the area, the “world socialist system” was an association of states where economic nationalism was explicitly promoted and defined interactions between countries. Bilateralism dominated intra-COMECON relationships (Bryson and Klinkmuller 1975; Lavigne 1983; Marsh 1976; van Brabant 1973). Those economic initiatives that were taken during this period largely focused on “plan coordination”. This referred to the synchronization of the member states’ five-year plans *after* they had been designed and approved according to national goals, such that “the countries of the socialist camp” were “each fully independent” (Figurnov 1956). Any economic harmonizing between countries that did occur was fundamentally oriented to particular national interests and not regionally integrated development (Lebedinskas 1975; Smith 1979).

The limitations of this development model, particularly for the small largely resource-poor East European countries, were quite apparent (Berend 1971; van Brabant 1989). While “socialism in one country” may have survived for a period of several decades in the Soviet Union, “socialism” in multiple “one” countries quickly proved unsustainable. During the early 1960s, the Soviets undertook efforts to erect a supranational planning agency that would *ex-ante* coordinate the economic development of COMECON member countries. The first major COMECON policy document (written 13 years *after* the regional alliance was created)—the 1962 *Basic Principles of the International Socialist Division of Labor*—sought “genuine coordination in national economic planning, the encouragement of production specialization and greater mobility of goods and production factors throughout the region [...] under the aegis of a single, uniform economic plan” (van Brabant 1989: 68).

This agenda was met with hostility and stiff opposition by the East European elites, particularly Romania (van Brabant 1973). The execution of the *Basic Principles* agenda was hindered by the institution of domestic economic reforms throughout the East European states (and to a lesser degree within the Soviet Union) that called for the devolution of planning and economic decision making to less centrally controlled bodies (van Brabant 1973), which ran directly counter to the highly-centralized supranational developmental principles contained within the Soviet proposal. As the COMECON lumbered into the mid-1960s, the *Basic Principles* agenda was shelved.

V. The COMECON and Socialist Economic Integration

Beginning in the 1970s however, the COMECON underwent changes that reflected the growing significance of a transformation occurring in the world capitalist economy—the transnationalization of production—for its own internal economic relations and developmental goals. On the basis of discussions that began in 1969, the Complex Programme of Socialist Economic Integration (hereafter referred to as the *Complex Programme*) was approved in 1971. “Socialist Economic Integration” (SEI) was intended to foster greater regional cohesion without either wholesale supra-national planning or ex post facto national plan coordination. While none of the measures in the *Complex Programme* were entirely new, the agreement represented a turning point in COMECON relations and called for renewed efforts in four key areas of economic activity—production specialization, the creation of International Economic Organizations (IEOs), joint investment activity, and plan coordination (Bryson and Klinkmuller 1975; CMEA 1971; Csaba 1990; Marsh 1976; van Brabant 1989; Zwass 1989). My discussion focuses on the first two aspects of SEI – production specialization and IEOs.

During the 1970s in the COMECON the term “production specialization” was used in two ways. As part of SEI, it could refer to the concentration of the production of a particular product in *one* of the COMECON countries for the purpose of supplying itself and other bloc members. In this case, member states were aiming to structure regional production and trade according to the principles of comparative advantage (van Brabant 1988; van Brabant 1989) or to protect the political viability of the COMECON through redistributive efforts intended to alleviate shortages (Sobell 1984).

Production specialization, under the rubric of ‘economic cooperation’, also referred to the breaking up of the production process across countries, such that each participating state contributed a particular part or service to the final good, resulting in an regional “specialization in parts, sub-assemblies, and various constituents of the product” that spanned state boundaries (Sobell 1984; van Brabant 1989). In short, as the description below of automobile manufacturing illustrates, this form of “production specialization” was an attempt to creation transnational vertically-integrated production networks within the COMECON.

The division of labor and specialisation of production have reached a high level in the passenger car industries of the CMEA countries [...]. For instance, the Zhiguli car is currently being manufactured by the USSR in cooperation with the automobile industries of Hungary, Poland, and Bulgaria. The Hungarian automobile industry has undertaken to manufacture 18 components for the Zhiguli. In exchange, the Volga Car works will supply Hungary with 62,00 Zhiguli cars. Bulgaria is to supply the Volga Car Works in the town of Togliatti with 300,000 sets of generators and starters, while receiving, in turn, components from the Soviet Union for her automobile works in the town of Lovech (Grebennikov and Nikolayev 1972: 10-11).

There were several economic sectors in which specialization led to the transnationalization of production within the COMECON – metallurgy, the chemical industry, computer technology, and the automobile industry. Generally speaking, all of these sectors saw an increase in cooperative production in the aftermath of the *Complex Agreement*. According to one set of calculations based on Soviet sources, by 1980 71.5% of plant protection agents, 31.5% of synthetic dyes, and 75% of additives for leather, fibers, and polymers consisted of chemicals produced through specialization and cooperation agreements. In the area of engineering exports, by 1978 “specialized” products constituted on average 36.5% of all goods exported in this sector, as compared to only 17.8% in 1973 (Sobell 1984).¹ Bulgaria alone claims that its output of “specialized” exports in this industry grew from 35.9% of total engineering exports in 1970 to 55.5% in 1986 (van Brabant 1988). In the automobile industry, the Hungarian production of buses was an exemplar of integration success, with supplies for the vehicles coming from every COMECON member country and allowing for an output that exceeded that of France, Italy, and Spain combined (Pecsi 1981).

To facilitate the integration agenda, the *Complex Programme* mandated the creation of additional International Economic Organizations (IEOs) in new industries. IEOs were transnational bodies charged with the oversight and coordination of economic activities in multiple COMECON countries. Their fields of activity varied widely, ranging from financial services to chemical production. IEOs played a critical role in managing all aspects of economic activity associated with production integration in a specific industry, in particular the implementation of joint production programs stipulated in economic specialization-production specialization agreements. This included but was not limited to “reallocating national output goals to take advantage of economies of scale, to redistribut(ing) capacity utilization or to otherwise affect(ing) the concrete setting of output targets by considering the present and prospective requirements of one or more foreign partners” and to promoting R&D between enterprises (van Brabant 1989: 173). During the early 1970s there was a rapid growth in these institutions, followed by a noticeable slowing later in the decade. For example, in 1974 forty-eight IEOs were in existence, of which twenty-five were created between 1970 and 1974. Within that group, the bulk of IEOs emerged during the short two-year span from 1972-1974 (van Brabant 1989). Thus, there was a concentrated effort at the beginning of the decade to establish institutions whose sole purpose was to facilitate and supervise the transnationalization of production within the COMECON.²

¹ These figures may or may not be somewhat misleading because it is not clear from their source whether or not a “specialized” product is simply any good whose transfer across COMECON countries was agreed upon through a specialization agreement or whether these products are actually sub-assemblies and parts created through economic cooperation. Moreover, scholars analyzing this question are quick to point out that there is no uniform measure for assessing the degree of specialization within the COMECON. See for example, Ausch, Sandor. 1972. *Theory and Practice of CMEA Cooperation*. Budapest: Akademiai Kiado, van Brabant, Jozef. 1988. "Production Specialization in the CMEA - Concepts and Empirical Evidence." *Journal of Common Market Studies* 26:287-315.

² Detailed and accurate information about the scope of transnational production processes, the scale and character of IEO operations, and the size of joint investment projects needed to fund these activities in the COMECON is limited by the fact that all of the secondary material on the subject was written using limited

While occurring in vastly different settings, transnational production both in the COMECON sphere and in the world capitalist economy sought to accomplish economies of scale, and incorporated (to varying degrees) elements of planning and the centralized coordination of economic functions. Sobell (1984) argues that the flow of commodities within the COMECON as a result of economic cooperation and production specialization agreements bore a strong resemblance to the intra-firm transfers that began to constitute ever larger percentages of the goods being moved around under the oversight of transnational corporations operating in the West. Although IEOs and transnational corporations operated in radically different economic systems, the essential function of these entities was the same. Both had the task of organizing economic activity at the middle and microeconomic level – i.e., coordinating production plans, transportation and communications systems, and synchronizing growth models across different national settings. The organizational needs that made the increased number of IEOs a necessary component of promoting production specialization bear some resemblance to the changes undertaken in the corporate structures of transnationals during the 1970s, which, according to Dicken (1992), adjusted their internal make-up to foster greater inter-divisional planning and in the early stages, increased centralization of functions. It appears that a common logic of development was beginning to envelope both spheres of the world economy, with the Soviet sphere attempting to, consciously or unconsciously, *mirror* changes unfolding in the West.

However, there was a crucial difference between transnational corporations and IEOs and the production processes that they oversaw. The transnationals of the COMECON did “not [...] introduce joint production activity through the *merger of property*” (emphasis added Zwass 1989: 84). As Zwass noted,

The immobility of property in the East stands in crass contrast to the growing mobility of private capital, which is passed from country to country through the power of the large banks and the industrial multinationals, past national boundaries with inimitable facility [...] (1989: 84).

Production specialization, economic cooperation, and the activities of IEOs did not fundamentally alter the structure of Soviet-East European trade or production relations because COMECON member countries would not relinquish the powers associated with centrally administered national steering of the economy. This blocked the implementation of mixed forms of international ownership in enterprises (Zwass 1989). While the establishment of IEOs allowed for the devolution of economic power to less immediately state controlled bodies and IEOs often facilitated the establishment of direct inter-enterprise linkages aimed at bypassing the intermediary central planners, the dissemination of economic oversight to these international bodies was continually limited by political disagreements between the nation-states involved. These often took the form

sources of at times, questionable accuracy. Therefore, a more precise assessment of the scale of transnational economic activity and the depth of COMECON integration during the 1970s—both of which are necessary to allow for a more sophisticated comparison to similar developments in the West—is only possible on the basis of further archival research.

of various kinds of resistance to participating in the joint investment projects needed to fund the industries and economic activities to be overseen by IEOs (van Brabant 1989; Zwass 1989). In other words, the COMECON countries refused to offer up political control over the capital needed to further transnationalize production in the bloc.

The question here is not one of whether private property is necessary in order to establish transnational networks. What allowed for the emergence of transnational production was not *private ownership* as such, but the *mobility* of that ownership. The widespread freeing up of capital in the post-war world capitalist economy only began in the 1970s and it was on this basis that transnationalism took off (Dicken 1988). It was not the state ownership of property within the COMECON that prevented the full transnationalization of the bloc, but the yoking of that ownership to the nation-state and the attachment of the ruling elites in the individual COMECON countries to their control over national resources as the source of their economic privilege and power. Therefore, the mobility problem in the COMECON was in large part a political question, whose origins lay in the legacy created by the program of “socialism in one country”.

VI. Intra- and Extra-COMECON Trade Relations

In the previous section, I explored structural similarities between transnationalization in the West and the COMECON. This established the existence of an *indirect* relationship between economic globalization in the world capitalist economy and the evolving character of Soviet-East European economic integration. The purpose of examining shifting regional trade relations is to look at how an aspect of contemporary economic globalization—the expansion of world trade—*directly* impacted the COMECON during the same time period in which the Soviet sphere was attempting to deepen its integration on the basis of transnational production. The inherent limitations that existed in the COMECON’s efforts to transnationalize its relations were further undercut by the growing pressures on the bloc stemming from its burgeoning ties with western markets.

The increasing number of goods circulating around the world in the post-war era was a distinct feature of newly emerging global interdependencies (Dicken 1988). This was the primary centrifugal force acting on the COMECON, operating as a “channel of impact” through which disturbances were transmitted to the Soviet sphere either in the form of price fluctuations or shifts in quantities of supply and demand (Tyson and Kenen 1980). Variations in trade flows increased or otherwise alter the degree of vulnerability and dependency that the East had upon western markets, thereby drawing these countries out of the COMECON system (Comisso 1986; Hewett 1980; Korbonski 1976; Lavigne 1983; Marsh 1976; Zimmerman 1980).

To analyze the significance of these forces during the 1970s, I looked at rates and patterns of intra-COMECON and extra-COMECON trade on a regional and country-level, track changes over time. From 1965-1980, both intra-COMECON and East-West trade grew steadily. On the surface, 1980 looked a great deal like 1965 in so much as trade ties between the Soviet Union and the satellite states (and to a lesser extent, among the satellite states themselves) continued to account for the lion’s share of exports and imports in Eastern Europe. Moreover, the COMECON still only constituted a very small

percentage of total global trade - 3.7% of total exports and 3.5% of total imports (Handbook of International Trade and Development Statistics 1983: 112-114). However, from the perspective of the COMECON countries, the relative growth of East-West compared to intra-COMECON trade indicated a substantial change in the relationship between the Soviet system and the world economy.

During this fifteen-year time span, the value of both imports and exports within the COMECON expanded by over 6 times (Gunder Frank 1980). The average annual growth rate for both intra-COMECON exports and imports was 13.1%. The five years from 1970-1975 was a particularly intense period for intra-COMECON exchange, with the annual average trade growth rate registering in at 18.1% (Handbook of International Trade and Development Statistics 1983). Bilateral relations between the satellite states and the Soviet Union itself also expanded, with the growth rates for exports and imports being 12.4% and 13.9%, respectively (Gunder Frank 1980). Within the COMECON, the Soviet Union continued to occupy the largest economic position; its activity accounted for approximately 20% of the trade flows occurring in the region from 1965-1980 (Handbook of International Trade and Development Statistics 1983). However, the USSR witnessed a gradual reduction in its share of total COMECON trade. The bulk of this decrease occurred in exports, such that in 1980 the Soviet Union's share of total COMECON trade declined by 6.4% as compared to 1965. The fall-off in imports was significantly less, slipping by only 1.5% in the same time period (Handbook of International Trade and Development Statistics 1983).

Therefore, even as intra-COMECON trade grew in absolute terms, there was a relative decline in the size of the economic space occupied by the Soviet Union. Yet, the role of the Soviet Union in COMECON trade flows remains important enough that if one removes the USSR from the COMECON data, intra-COMECON imports, as a percentage of total imports, drop by 15.5% from 1965-1980. The decline is significantly less in the export sector – only 6.1%. If Soviet involvement is accounted for, the ratio of a decrease in imports to exports reverses itself, such that exports fall by 12.5% from 1965-1980, and imports, while close, trail behind at 10.9% (Handbook of International Trade and Development Statistics 1983). Thus, the Soviet Union continued to fundamentally define intra-COMECON trade relations and the bloc still constituted a major site of growth for the Soviet sphere.

However, this point is modified by another observation - data on intra-COMECON trade indicates that without the presence of the economic giant sitting on its eastern borders relations within the bloc were weakening significantly from 1965-1980. The declining relative size of Soviet-East European trade was not counteracted by the growth of a new multilateralism within the trade bloc or stronger bilateral relations among the other COMECON countries, as the experience of individual member states in the overall process is highly varied. For example, while Czechoslovakia sees its imports from other COMECON countries drop by only 1.6% between 1965 and 1979, Romania's sees a fall of 9.1%. While Poland's imports from other COMECON countries fall by over 10% during that time period, East Germany's imports from other bloc countries actually increases by a small amount (Economic Bulletin for Europe 1966-1980). The variation

for Soviet-East European imports is even greater. Bulgaria's imports from the Soviet Union form an increasingly larger portion of its total imports between 1967 and 1979, while the exact reverse is true for East Germany and Romania. During the same time frame, the proportion of total imports from the Soviet Union in Czechoslovakia's trade hardly shifts at all (Economic Bulletin for Europe 1966-1980). This diversity, while less extreme, continues in the area of the intra-COMECON exports (Economic Bulletin for Europe 1966-1980). In terms of exports to the USSR, there is a much wider spread between the different COMECON countries with regards to the size of the economic space occupied by the Soviet Union. Romania, is the only country however, whose exports to Russia plunge by over 20% as a proportion of their total exports between 1965 and 1979 (Economic Bulletin for Europe 1966-1980). The levels of intra-COMECON exports for the individual member states were not only less volatile, they were also more proximate to each other in terms of their total size (Economic Bulletin for Europe 1966-1980). Thus, during the 1970s intra-COMECON trade, while quantitatively growing, was also marked by a good deal of unevenness.

By 1980, in absolute terms intra-COMECON trade still exceeded exchange with the West by approximately \$63 billion. However, from 1965-1980 East-West trade grew by over 10 times – a rate 4 times higher than intra-COMECON growth (Handbook of International Trade and Development Statistics 1983). When comparing average growth rates, one sees that not only were these figures higher for COMECON trade with the West for the periods from 1965-1970 and 1970-1975, the difference between the two sets of growth rates increased dramatically over time. From 1965-1980, intra-COMECON trade in imports grew on average by 13.1%, while imports from the West grew by 17.7%. Exports follow almost exactly the same pattern. A significant amount of the trade expansion occurring in Eastern Europe and in the Soviet Union in this time period can be accounted for by further integration into the trade networks of the world capitalist economy (Handbook of International Trade and Development Statistics 1983).

In 1980, exports of goods to the West accounted for 30.7% of the COMECON's total exports, and imports of goods from the West accounted for 32.4% of total imports. If one excludes the Soviet Union, these figures are roughly equivalent to percentages of intra-COMECON trade. From 1960-1980, intra-COMECON exports account for less and less of the region's total exports, with the exception of very slight rises in 1972, 1978, and 1981, and a significant jump in 1975 (Handbook of International Trade and Development Statistics 1980-1981).

The data on individual countries' total trade turnover reveals that from 1971-1975, COMECON members increased their trade with the west on average by 195%. The two leading states in this trend were Poland and the Soviet Union, which saw their trade with the capitalist developed countries grow by 352% and 306%, respectively (Lascelles 1976). In the case of the USSR, by 1975, trade with the West comprised 45.5% of the country's total trade. Czechoslovakia and Hungary saw the slowest amount of growth for that 5-year period, but still increased their trade with the West by 110% and 122%, respectively. As a percentage of their total trade, exchange with the West actually decreased from 1970-1975. From 1975 onward, however, Hungary's exports and imports

from the West make a multi-percentage proportional leap in relation to the country's total trade, while the same indices for Czechoslovakia and Bulgaria hardly move (Economic Bulletin for Europe 1966-1980). Poland's imports from the West in the latter part of the decade, far outstrip her exports, which after a peak in 1975, return to a below-1966 level in 1979. Therefore, while the move towards increased ties between the COMECON and the developed capitalist countries appears to be a COMECON wide phenomenon, in reality it does not reflect a regionally-systematic engagement with the West.

The obvious country-by-country unevenness in trade on capitalist markets supports the position that there was a good deal of splintering unfolding within the Soviet sphere, even as the region as a whole became increasingly engaged with the West. The economic orientation of the individual member states was shifting in different directions. During the 1970s it would appear that individual COMECON states were being pulled into different economic communities – some countries turning westward and others eastward (i.e. solidifying economic links with the USSR). While according to Frankel (1997), the West experienced almost simultaneous processes of increasing regionalization and transnationalization during the late 1970s and 1980s, in the Soviet sphere it appears that the macro-regional network which dominated the region was growing weaker relative to a strengthening of extra-regional ties.

In sum, the trade data demonstrate that throughout the 1970's, relations with the West assumed an increasingly important role in the economic position and future of the COMECON countries. While Marsh (1976) and other economic historians anticipated that the USSR would use its power as the region's major trading partner and supplier of oil to increase centripetal pressures within the COMECON, the Soviet Union was an active participant in the growing East-West trade ties. Moscow lacked the desire, the will and/or the ability to direct COMECON trading activities towards strengthening regional cohesion. As the COMECON countries entered into more direct relations with the West, they were engaging with a world system in which multinational corporations, backed by US political power, had an explicit interest in gaining access to Eastern markets and resources (van Brabant 1989). While on the surface it could appear that the push for increased trade ties between East-West emanated from within the COMECON (as an expression of the increasing technological weakness of the region), they were actively received and promoted from the surrounding capitalist powers.

VII. Conclusion

In concluding this paper, I will briefly summarize the argument, drawing out some of its implications and pointing to area of further research that might be fruitful. After 20 years as a regionally isolated association of states whose internal ties were mostly of a geopolitical or bilateral economic character, the COMECON experienced simultaneous but contradictory economic transformations. On the one hand, it attempted to mirror certain changes occurring in the world capitalist system by deepening integration between the Soviet and East European economies through the transnationalization of production. On the other hand, it pursued closer direct economic relations with the world capitalist system by expanding its trade ties with the West. While economic historians cast these "centripetal" and "centrifugal" tendencies as having opposing origins (Bryson

and Klinkmuller 1975; Drabek and Greenaway 1984; Korbonski 1976; Lavigne 1983; Marsh 1976; Smith 1979; Tyson and Kenen 1980; van Brabant 1988), in reality both are bound up with the broader process of economic globalization developing at the time. Each of the transformations occurring in the COMECON during the 1970s expressed the growing impossibility of continuing to pursue either a national or regionally autarkic form of development in the face of this changing environment.

Based on the data sources that were accessible to me at this juncture, this paper is unable to draw a definitive conclusion about the successfulness (or not) of intra-COMECON transnationalization under the rubric of “socialist economic integration”. At the very least, transnational networks were a critical area of economic policy activity within the COMECON during the 1970s. Yet, we also know that by the time transnationalism fully entrenched itself in the capitalist sphere (around the mid-1980s), the centrally-planned economies were spiraling towards political disintegration. Secondary indicators (such as the declining rate of new IEOs after 1974 and the relatively small amount of intra-COMECON trade that occurred without the Soviet Union) demonstrate that the transnational era of the bloc was probably short-lived, at best. If globalizing processes played such a critical role in the economic development of capitalism in the latter quarter of the 20th century, then the inability of the Soviet sphere to fully develop its own transnational networks as it became more directly involved with Western trade would mean that the COMECON was in a particularly vulnerable position.

The ability of the COMECON to foster intra-bloc transnationalism was limited by the immobility of state-owned property. This stands in stark contrast to the globally mobile (or at the very least, transnational) character of capital in the West after the collapse of the Bretton Woods system in 1971. An important area of further research would be an investigation of the scope and scale of joint investment activity within the COMECON, so as to concretely substantiate the argument about the immobility of capital in the bloc and to allow for a point of comparison with financial movements occurring in the West.

In this paper I have made the argument that the nationalized property forms of the COMECON, and above all, the attachment of political and bureaucratic elites to the oversight of the national economy as the source of their power, were not overcome and could not be within the political framework of the centrally-planned economies without challenging the power structure of the Communist Party bureaucracies. The implication of this claim (which itself needs to be substantiated with evidence about the economic foundations of Communist Party rule) is that in the case of COMECON, economic globalization and the nation-state existed in an acute conflict with one another. It would seem therefore that the debate within the globalization literature about the impact of globalizing forces on state capacity could be deepened by bringing the Soviet-East European case into the discussion.

What the disintegration of the COMECON revealed was the inability of the Soviet Union to compete with the West so long as “socialism in one country” was the principle underpinning the economic and political structures of the country and of the region. Two questions naturally flow from this statement. First, in what other significant ways did the

legacy of economic nationalism manifest itself within the COMECON and the Soviet Union, such that even a successful form of intra-bloc transnationalism would have been limited in its ability to foster an effective and economically competitive form of regional cohesion? Second, was there an alternative to the program of national economic autarky?

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