STUDIA HISTORIAE OECONOMICAE
UAM Vol. 24 Poznań 2001

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EASTERN MARKETS IN HISTORICAL PERSPECTIVE

"The Encyclopedia of Economic History of Poland till 1945," published 20 years ago, contains quite an extensive entry "Eastern markets," which begins in the following way: "Eastern markets, a common name given to an outlet for industrial goods manufactured in the Kingdom of Poland, situated east of the Polish territory, comprising Russia and, at a certain point in history, also China and Manchuria."[1] As follows from the introduction such a concept of eastern markets was very appropriate for the late 19th and early 20th centuries, when the Russian Empire was the eastern neighbour of Poland.

From the historical perspective, and – in particular – from the perspective of the year 2000 when the Ukraine, Lithuania, and Belorussia became independent countries, the concept of eastern market assumes a new meaning and it is worth taking a closer look at the range and nature of Polish export in modern times and in the 20th century. A tentative question that we would like to raise here is the following: "If and when in the Polish export to the east did the market outlet include the Ukraine, Belorussia, and Lithuania, and when did it include the central Russia and the mythical China?"

At the dawn of modern history, i.e. at the turn of the 15/16th century, the Kingdom of Poland bordered in the east with the Grand Duchy of Lithuania. After the Lublin Union of 1569, the border of the Commonwealth of Two Nations (Polish: Rzeczpospolita Obojga Narodów) was shifted of about a few hundred kilometers eastward. The eastern territories of the Commonwealth considerably differed from the Wielkopolska (Great Poland), Royal Prussia, or western Małopolska (Little Poland). In the first place, in the east the economy was dominated by natural agriculture, and though the land was abundant, it was scarcely populated and the absorptive power of the market was low. Nobility was among the primary recipients of goods. Peasants bought salt lavishly, and less frequently farming tools. Textiles and other industrial commodities were mostly manufactured by village household manufacturers. Rich nobility purchased woolen cloth and some luxurious products. In spite of its low potential, the eastern market played a crucial role in the Wielkopol-

[1] Jezierski A., "Rynki wschodnie" [Eastern Markets], *Encyklopedia Historii Gospodarczej Polski do 1945 roku*, Vol. 2. Warsaw 1981, p. 227.

ska textile manufacture, and Małopolska metal manufacture and salt mining. In the south, the main center of wholesale trade was Lvov, while in the North Lublin. Fairs in the latter constituted the central place of goods exchange between Wielkopolska and western Małopolska and the Grand Duchy of Lithuania. In the 16th century, the turnover in Lublin exceeded well that in the markets of Lvov. The staples of the Lublin markets included Polish, Czech, and Silesian woolen cloth, metal wares (scythes, sickles, knives, nails), soap, paper, and medicines. From the markets of Lublin the commodities were then taken to the fairs in Grodno, Tycocin, and Vilnius.

In the 16th and 17th centuries, as today, trade was connected with credit. One of the principles established in Poland was that Jewish commune held joint responsibility for the financial obligations of its members. In the late 16th century (1598) bills of exchange, called "mamrans,' appeared on the market, and they were used to pay for goods on fairs. These bills were paid off in the succeeding fair, hence the credits were either a few-month or annual credits. Whether bills were accepted instead of cash depended largely on the reliability of the drawer of the bill. Because of a frequent abuse of credits by debtors, the Jewish community of elders, which held financial responsibility, regulated this problem at a joint assembly of Jews of both the Kingdom of Poland and Lithuania, accepting the so-called "competition act" of 1624 which imposed severe sanctions against the debtors-bankrupts so as to secure interests of the creditors. Clause #7 of this act threatened the dishonest debtors with anathema: "The wife and children should be present in synagogue when anathema is pronounced on the bankrupt" moreover, clause #16 said: "Thou who buys in a fair a product on credit and there is evidence that from the beginning he did not intend to pay it off , shall be tried as a villain and punished severely, even with imprisonment."[2]

Since there were no big private commercial banks, the exchange of goods in the eastern territories was based on Jewish community credit, and the credit system itself – often family-bonded – traced out the economic zone of products exchange in the whole territory of Poland.

Rulers of this epoch were often supportive of this trade. In the Kingdom of Poland in 1576, King Steven Batory bestowed on Jews, or to be exact, to particular communities, the right to a free trade. For example, let me quote an extract of a privilege for a Jewish Community in Luck: "In the whole territory of our Kingdom Jews have the right to trade, paying our ordinary toll, in towns they have the right to curve by ell, and sell by pound and ell; this right extends to all Jews living in Poland."[3]

Sigmuntus III granted similar privileges to Jews in the Ukraine and in Lithuania. Wladislas IV in 1633 confirmed all trade privileges of Jews in the territory of Poland, and in 1643 exempted them from all toll and bridge fees.

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[2] Schiper I., *Dzieje handlu żydowskiego na ziemiach polskich* [The History of Jewish Trade in the Polish Territory], Warsaw 1937, p. 138.

[3] Schiper I., *Dzieje*, p. 61.

Because of a common dislike of Jewish merchants held by majority of people, in 1592 in Vilnius a Jewish "pogrom" took place, which brought havoc not only to people, but also to shops and storehouses. Rulers punished severely the perpetrators of the "pogrom," yet through the system of privileges they actually contributed to the dislike by letting Jews monopolize the domestic trade in the Commonwealth, as they saw in Jews not only a source of income but also a factor integrating the state economy.

The uniting Grand Duchy of Moscow gained monopoly over foreign trade. Its trade relations with the territories of Poland were quire limited, as their main focus was targeted South, through the Caspian Sea to Persia, and north through Archangel to Great Britain.

The Chmielnicki Uprising and Moscow wars in the mid-17th century brought a collapse in the trade in the eastern borders. However, after the Andruszev Truce (1667) the situation went back to normal and trade started to flourish once again. Till the end of the 18th century all the territories of Lithuania, Belorussia and the right-bank Ukraine belonged to Poland; they constituted a common customs zone and had a similar farming economy, the same Magdeburg law, i.e. self-governing bodies, fraternities, guilds, etc.; the nobility spoke Polish, while the people involved in trade Yiddish.

The whole area made a separate transportation network. The trading places were located along the waterway of the Vistula, Niemno, Pregola, Dvina, Pripets, and Dnieper rivers. The waterways were favorable to the north- southbound transport of goods, while there were no waterways joining west and east. Only in the late 18th century did Michał Ogiński "dig up" a canal linking Tschara and Yesiolda; besides at the initiative of King Stanislaus Augustus the Muhaviec-Pina canal was built. Thanks to the two canals it was possible to connect into one water system the river of Dnieper, Niemen, and Vistula as well as the Black and Baltic Seas. The first boat sailed along the Royal Canal in 1784. Also in the late 18th century some road ways were built, which connected Warsaw via Lublin with Kamieniec Podolski, via Grodno with Połotsk, and via Dubno with Kherson at the Black Sea.

Advancement of water and land communication had a great influence on the development on the inland market of Poland in the 18th century. This was best reflected by an increasing number of fairs as well as by leveling out of the prices in Warsaw, Vilnius, Cracow, Zytomierz and Vinica. Another factor that facilitated formation of the inland market was a repeal by the Parliament in 1764 of inner customs charges, toll, and other inner tariffs. At the same time a law was passed imposing a general customs charge in the external borders of Poland.

Neither the first (1772), nor second (1793), nor even the third partition of Poland (1795) and the short-lived Duchy of Warsaw affected the situation on the market, which is well illustrated by the decision made by the Vienna Congress to lift the customs borders in the territory of the former Commonwealth within its borders of 1772. This decision was, however, short-lived. As early as 1822 customs tariffs were imposed between the Congress Kingdom of Poland and Prussia and Austria, which implied confinement of the historical economic area of Commonwealth to Grand Duchy of Poznań, Galicia and the so-called western provinces of the Russian Empire.

The promises given to Poles by Tsar Alexander I to extend the territories of the Congress Kingdom by western provinces were partially fulfilled. Holding his office in Warsaw, Cesarevitch Constantine was in command of not only the Congress Kingdom army but also of Lithuanian army corps in the Russian army in western provinces. Moreover, the educational system set up in the provinces by Adam Czartoryski was modeled after the school system designed by the National Education Board. The University of Vilnius supervised the school system in Lithuanian, Belorussian, and Ukrainian provinces, and till the November Uprising of 1830 Polish language was used in high-school and higher education. The nobleman's self-governments in the former districts were sustained, though in a slightly different form, and they still represented the Polish gentry. Also, some nobleman's privileges originating from the I Commonwealth were maintained.

The situation in trade was similar. In the western provinces trade was dominated by Jews. Evicted from villages in the annexed territories of Poland, the Jews lost their source of income coming from rental of inns and forays, and moved to towns, finding work exclusively in trade and handiwork. In this way they strengthened their economic position, and – what is important from the point of view of our present considerations – preserved close trade relations with other towns of the former Commonwealth – both in the Congress Kingdom of Poland, Galicia, and in the territory under the Prussian partition. It was only the imposition by Lubecki of restrictive customs barrier on the import of textiles from Wielkoposka Region and Silesia that severed the industry of Wielkopolska from eastern markets. At the same time Lubecki negotiated in Petersburg a liberal customs borders between the Congress Kingdom of Poland and the Russian Empire. The newly emerged centers of textile industry, mainly in the Mazowiecki district, took over the eastern markets. It can be added that immigrants in the Congress Kingdom, who populated these centers, were largely the manufacturers and weavers from Silesia and Wielkpolska region who moved to the area near Lódż, Kalish, Tomaszów Mazowiecki, and other towns. In 1825 the export of textiles from the Congress Kingdom to the Russian Empire was estimated at. ca. 5 ml rubbles, 4 years later it reached 8.4 ml rubbles.

After the November Uprising and the defeat in the war with Russia of 1831 textile exports moved eastward, behind the next customs border, where Bialystok and few other nearby towns formed the greatest textile center.

In 1850 the customs border between the Congress Kingdom of Poland and the Russian Empire was lifted. Soon afterwards a good economic condition ensued in the wake of a Crimea War that Russia waged with England, Turkey, and France. The cotton crisis in the early 1860s, caused by the Civil War in the United States of America, boosted a great demand for cotton products. In the 1860s, a Warsaw-Petersburg railway as well as the Łódż-Fabryczna connection were started, which facilitated expansion of the Congress Kingdom Textile Industry into the markets western provinces. As I. Schiper writes: "After lifting the customs border between the Congress Kingdom and Russia in 1850 the Łódź textile industry easily conquered Podolia, Volhynia, and Lithuania. Following the local tradition, the pioneers in the directions were Jewish merchants settled in Łódź: Mayer Berlin, Mordechai Helman and Jonah Ginsberg. The last two exported textiles to the Podole market in Jarmolińce. One of the first merchants from Łódź who employed travelling agents and through them looked for new market outlets was Abraham Bronowski.[4] Till 1880 the main market outlet for textile industry was the market of the Congress Kingdom and of the western provinces of the Russian Empire. These markets contributed much to the industrial revolution in the Kingdom of Poland in 1850-1880.

20 years after emancipation of peasants, also the Polish village was gradually assuming a new image. Higher yields of marketable agricultural products of farms implied new market outlets. Goods such as textiles, clothes, shoes, etc. that so far had been made by individual households now, to a larger extent, were manufactured by industry.

The customs reform of 1877 marked a new era of a protective duty policy in the Empire. It was applied for a few succeeding years to reach its climax during a customs war of 1893 with Germany; in the trade agreement that followed the war the prohibitive duties were not decreased, but rather increased. An earlier industrial revolution in the Congress Kingdom than in Russia, a protective duty policy on the external borders of the Empire, a new market outlet in the country and a lack of clear symptoms of technological revolution in Russian industry – they all contributed to a rapid increase of export of Polish manufactured textiles to the Empire. In 1880 it was estimated at 19.5 million of rubbles, in 1885 – 56.8 million roubles, in 1895 – 132.8 million of roubles, and in 1900 – 226.3 million of roubles. In 1910, export stood at 284.8 million of roubles.[5]

About 1880, the demand for textiles in the Congress Kingdom of Poland stabilized at the level of 30 ml roubles a year, and the rest was directed to the markets of the Empire. Polish products superseded the German ones, which was connected with the anti-German duty policy. This, in turn, was a consequence of deteriorated political relations between Berlin and Petersburg following the resignation of Chancellor Bismarck in 1890.

Loss of eastern markets was the cause of a constant worry for German manufacturers. In this connection it is worth quoting a report of 1895 written by a Russian General Consul in Berlin, Kazarinov. He attached to his report a booklet entitled "Germania triumpchans" published anonymously, but attributed to a German historian H. R. Treitschke. The premise of the booklet was that Germany would become a world superpower in 1915. Then Germany *manus militari* would force Russia to surrender, and in the aftermath of a peace treaty it would annex the terri-

[4] Schiper I., *Dzieje*, p. 489.

[5] Jezierski A., *Handel zagraniczny Królestwa Polskiego 1815-1914*, [Foreign Trade of the Congress Kingdom of Poland 1815-1914], Warsaw 1967, p. 175.

tory of Baltic provinces, Lithuania, Poland, Volhynia, and Podolia, southern Russia and Cremea.[6] These were exactly the areas of expansion of the industry developing in Warsaw, Łódź and Sosnowiec. These facts are also in agreement with the studies of a Ukrainian historian of economy and economist K. Voblyi. Introducing an index of market balance he studied the consumption of Polish and Moscow textiles by people of particular provinces of the Empire in 1903, 1908, and 1913. The results of his calculations look as follows.

In the consumption of woolen textiles, Polish manufacture dominated in the following provinces: Belorussian (78.4%), Lithuanian (90%), Congress Kingdom (85.1%), Ukrainian (93.7% on the left-bank Ukraine and 80,7% on the right bank Ukraine), as well as in Baltic and Caucasian provinces.

In the consumption of cotton textiles, the Polish manufacture dominated in the following provinces: Belorussian (47.8%), Lithuanian (71.6%), Ukrainian (36.3% on the right-bank Ukraine), Congress Kingdom (69.8%), as well as in the Baltic provinces.[7]

In the remaining provinces of the Empire there was either a balance or dominance of Moscow manufacture.

The eastern markets did not play such a significant role in the metal industry, though in 1895 exportation of metalware constituted almost 17% of the total value of Polish export, and machine production in the Congress Kingdom of Poland ca. 14% of the machine production output in the whole Empire. Export of tools and farming machinery increased particularly after the Stolypynovska reform. In 1913, of the total production (100%) of the Congress Kingdom of Poland, Lithuania purchased 9.2%, Belorussia 7.3%, the right-bank Ukraine 7.8%, the Congress Kingdom of Poland 35.9%, while the rest was purchased by other imperial provinces.

In 1926, K. G. Voblyi published an analysis of chemical products, and in the following year of food industry. The results virtually overlap with the proportions reported for metal industry.

Expansion of export to western provinces was determined mainly by four factors: (1) relatively small transportation cost, (2) Jewish control of whole and retail sale, (3) close credit relations among banks, and (4) significantly large Polish population in these territories. Inasmuch as till 1870s eastern markets comprised primarily the former territories of the Commonwealth, in 1870-1914 more or less one third of Polish export was also directed to central Russia, Central Asia, and even Far East. It is the latter period that the conception of the "eastern markets" taken from the Encyclopedia of Economic History refers to.

The First World War and the struggle for eastern Polish borders in 1919-1920 severed the hitherto trade exchange.

The truce of October 1920 set up a new boundary line that crossed western provinces of the former Empire. This line was accepted in the Riga Treaty in 1921.

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[6] Archiv Vnesney Politiki Rossii in Moscow, Team II, sygnature I-5, opus 407, b. 587.

[7] Voblyi K.G., "Polskyj tekstylnyj rynok," *Zapysky socjalno-ekonomicnogo viddilu*, Vol. 1, Kiiv 1923, p. 63-106.

In 1910 the population of the Congress Kingdom was ca. 12 ml people, more or less the same as in Lithuania and Belorussia taken together. Also 12 ml lived in the right-bank Ukraine, Volhynia, and Podolia.[8] After the first world war eastern districts of the Polish Republic had almost 4.2 ml inhabitants, which means that in the wake of the Riga Treaty the Polish industry lost ca. 20 ml consumers residing in independent Lithuania and in the Belorussian and Ukrainian Republic.

Until the U.S.S.R. was formally founded in 1922, Poland maintained separate relations with Russia and with the Ukraine; the latter being genuinely interested in sustaining its foreign trade with Poland after the war too. Therefore, a Polish deputy was stationed in Kharkov, while the Ukrainian one in Warsaw. The first attempts to revive the Polish-Ukrainian trade exchange were undertaken in 1921. In his autobiography I. Abramov-Neverly recalls that Polish merchants were ready then to put in uniform the whole cavalry corpus of the Red Army which stationed in the Ukraine and which was in possession of exchangeable currency. Similar data are given by I. Schiper who claims that after two years of counterband in the front line, after concluding peace in Riga, an Association of Jewish Merchants of Warsaw set up an organizing committee which soon started a stock corporation to trade with the east, its capital stock being equal to 100 million Polish marks.

In 1921, the Deputy of Soviet Ukraine in Warsaw, Alexander Szumski, received many offers of a joint trade cooperation. Moscow was not favorably disposed towards those actions, rightly seeing in them an attempt to treat differently the Soviet Ukraine and the Russian Soviet Republic. This is covered widely by S. Łopatniuk.[9]

December 1921 marked the beginning of negotiations about the Polish-Russian trade agreement. Already a month before then, influenced by economic circles, the Economic Committee of the Cabinet of the Polish Republic decided to lift the hitherto export limitations to the Soviet Russia and to make the border regulations more liberal. In this connection, a competence controversy was solved, which will be discussed further below. Till then the licenses to trade with Russia were granted by the military authorities. The then Secretary of the Army General, Kazimierz Sosnkowski, forbid his subordinates to indulge in this type of activity and since then only the Ministry of Industry and Commerce was authorized to issue a licence.[10]

The Soviet party agreed to enter trade negotiation provided it would represent the Ukrainian Republic. Warsaw did not want to agree to it, and ultimately no trade agreement was signed. In 1922 in the U.S.S.R., foreign trade became an exclusive monopoly of the state, which resulted in breaking off all hitherto individual trans-

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[8] *Rocznik Polski* [Polish Annals], Cracow 1917, p. 1.

[9] Łopatniuk S., *Polsko-radzieckie stosunki gospodarcze 1921-1939* [Polish-Soviet Economic Relations 1921-1939], Warsaw 1987, p. 48.

[10] Kumaniecki J., *Stosunki Rzeczypospolitej Polskiej z państwem radzieckim 1918-1943* [The Relations of the Polish Republic and the Soviet State 1918-1943], Warsaw 1991, p. 116-117.

actions. In July 1924, a consular convention was signed in Moscow, which allowed Poland to open consulates in Leningrad, Kiev, Khabarovsk, and Minsk and a general consulate in Tiphilis. These steps were to designed to foster the development of mutual trade relations.

In spite of signing the agreement, trade development was hampered by the fact that the U.S.S.R. did not meet its financial obligations defined in the Riga treaty. Nonetheless, some trading took place. The Polish export in 1924-1926 encompassed mainly consumption industrial goods, and since 1927 also heavy industry products. A particularly high increase of the latter occurred during the first five-year plan in the U.S.S.R.

In 1927, the value of Polish export to the U.S.S.R. equaled ca. half a million dollars, in 1928 1.4 million, in 1929 1.8 million, in 1930 14.5 million, and in 1931 14.0 million dollars. Beginning in 1932 there was a significant drop in export. Till 1931 the Soviet Union ordered mainly steel and steelware from Silesia. In the aftermath of a crisis which limited inflow of foreign currency to Russia, the Soviet Union ceased importing metallurgic wares, since Poland was not able to credit the supplies, as for instance, Germany and America did. It is worth mentioning here that suspension of export to U.S.S.R. considerably contributed to a collapse of two mining-steelwork corporations *Wspólnota Interesów* [Community of Interests] and *Huta Pokój* [Steelworks "Peace"], which were soon taken over by the Polish state. Though till 1934 the balance of turnover with the U.S.S.R. was positive for Poland, since 1935, given small turnover, the balance turned passive.

In 1910, the trade turnover between the Congress Kingdom and the Empire was 416 million USD. Even if we deducted from the number the turnover between the Kingdom and Lithuania and the Polish eastern frontier (within the borders before 1922), the turnover with Russia would equal to 346 million dollars. In 1930, however, the Polish-Soviet turnover dropped to ca. 20 million dollars, which was merely 5.8% of the value of the turnover before the World War I.

The consequence of monopolization of foreign trade in the U.S.S.R. and of the policy of socialist industrialization was that the market outlets in the former western provinces for Polish textile, steel, metal, clothing and food industries ceased to play any role. For the Polish Republic the market of the U.S.S.R. was of little significance similarly as the market of the Grand Duchy of Moscow for the Polish Commonwealth in the 16th century. On February 19, 1939 the first trade contract with the U.S.S.R. was signed in Moscow. At that time the trade turnover with the Soviet Union (1938) reached the minimum of 2 million dollars at a passive trade balance for Poland.

It was still during World War II that the Polish Committee of National Liberation signed the first trade agreement with the U.S.S.R. (October 24, 1944). It provided for an economic relief for Poland in the form of a short-term passive commodity credit. In the framework of this credit the Polish territories already freed from occupation received coal, gas oil, cars, flour, salt, cotton, and threads. In March 1945, the Provisional Government signed an agreement with the U.S.S.R.

which provided for a 29-million dollar loan for Poland so it would purchase in the U.S.A. investment commodities and food.

On August 16, 1945 the Provisional Government of National Unity signed with the U.S.S.R. an agreement on reparation of damages inflicted by German occupation. Poland was to take over 15% of the Soviet pool of German reparation, the per cent resulting from the ratio of the population number of both countries. For W. Molotov the starting point for any reparation calculation was the estate obtained by Poland on the Regained Territories whose value, according to his estimates, was ca. 9.5 billion dollars. From this number he deducted part of the estate dismantled and transferred to the U.S.S.R. in the early 1945 (0.5 million dollars) and the value of estate lost by Poland in the eastern territories (3.6 billion dollars). The remaining 5.4 billion dollars he treated as war damages that Poland had already received, which – according to his estimates – comprised more than 15% of the Soviet pool. The amount reaching billion dollars that constituted the basis for his calculations was quite illusive, whereas the conclusion that Molotov drew from that number was by all means concrete. Poland was obliged (by virtue of the August 16, 1945 agreement) to supply annually to the U.S.S.R., in terms of indemnity, 12 million tons of coal at the price of 1 dollar per ton, which was 10% of the contemporary world price. This was an extremely heavy burden for the Polish economy during the restoration period, which cost Poland ca. 500 million dollars. On the other hand, till 1947 the value of German commodities sent in virtue of true reparations was merely 46 million dollars.

Since 1945 the major foreign trade partner of Poland was the Soviet Union. The same year the turnover with the U.S.S.R. was 90% of the total Polish turnover, in 1946 – 58%, in 1947 – 27%. Year 1947 was a turning point, which is connected with the collapse of the great coalition and rejection by Poland (at the order of Moscow) of the Marshall Plan.

In January 1948, as a "compensation" for the rejected plan, Hilary Minc brought a credit at the amount of 450 million dollars. Poland was obliged to sell to the U.S.S.R. coal, coke, cement, sugar, and railway rolling stock, while the U.S.S.R to Poland – industrial equipment, iron ore, aluminum, cotton, oil products and complete industrial units. It should be noted that the 450 million dollars given constituted only half of the credit scheduled within the Marshall plan to revive Polish economy.

In 1948, the Berlin crisis marked the beginning of a cold war and a division of the world into the Soviet and American zone of influence. Already then industrial investments in Poland corresponded to Soviet needs, and example of which was the new steelworks near Cracow, where Stalin himself changed the design, increasing by 6 times steel production yield compared to the original Polish plan.

On January 8th, 1949 during a meeting in Moscow, the U.S.S.R., Bulgaria, Czechoslovakia, Poland, Romania and Hungary founded the Council for Mutual Economic Aid (the so-called COMECON). Its creation did not involve any formal ratification by particular parliaments, nor any status was worked out; simply two weeks afterwards the media announced creation of such an organization. As follows from the report of Hilary Minc, the Chairman of the State Committee for Economic Planning in Poland, the Council was set up by Stalin unexpectedly, and representatives of the above mentioned countries did not know exactly why they had been called to Moscow. Initially it was planed to call the organization an Economic-Coordination Council, yet the final name was given by Stalin. As H. Różański, many year's representative of Poland in COMECON, writes, Stalin, when supporting his proposal, said: "Americans are talking about some aid within the Marshall Plan; what we offer in opposition to aid is a mutual assistance through cooperation."[11]

Some light on the genesis of the COMECON was shed by the Soviet representative in the Council, A.M. Lavrishchev, who explained to H. Różański a simple method to clear international investment accounts: "When in the U.S.S.R a decision is made. to build a certain object, for example, in Uzbekistan, nobody is interested whether Uzbekistan will settle its accounts with the Republics which will provide supplies. The only important thing is the decision of the Soviet government expressed in the form of a government act. This is what the relations between countries making up the COMECON should look like."[12]

The only joint investment in the first decade of the existence of the COMECON was a rail-road bridge on the Danube connecting Romania and Bulgaria, where Poland supplied a certain number of bays. Whether somebody whenever paid for that remains unknown. The objections raised by the Polish representative about the way of settling down international accounts were described by Lavrishchev as "an inability to see things in an internationalistic perspective and as narrow-minded bourgeois nationalism."

It seems that the major purpose for such a sudden foundation of COMECON was to coordinate investments controlled by a Soviet Gosplan, which meant inclusion of Poland, Czechoslovakia, etc, into a common system, as it was in the case of Moldavia, Belorussia, etc. Each time the head of COMECON was a Vice-President of Gosplan.

From 1950 till 1954 no trace of any COMECON activity was left, as the next session was convened only in 1954. The reason for such a long break was a transfer in 1950 of the Soviet Union economy into the war economy, which necessitated foundation of integrational institution other than COMECON and closer to the General Staff of the Red Army. After 1954 the Soviet economy partly re-entered the peace track. In November 1954, after such a long break, the first session of the COMECON took place, where again the unique role of Gosplan in the countries of "people's democracy" was emphasized. During the session, the head of Gosplan suggested that all the works associated with coordinating five-year plans and link-

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[11] Różański H., *Spojrzenie na RWPG* [A View on the Comecon], Warsaw 1990, p. 12.
[12] Różański H., *Spojrzenie*, p. 37.

ing them with the Soviet five-year plan (1956-1960) be commissioned to Gosplan which had coordinated the development plans of all 16 republics and therefore accumulated huge experience which – as if followed from Saburov's speech – the designers of the plans in all COMECON countries did not have. Naturally, this proposal was univocally accepted by representatives of all countries, and soon afterwards all the proposals for the 5-year's plans were submitted to Gosplan.

Political events and political-staff changes in Poland and in Hungary in 1956 stood in the way of implementation of the Soviet concept, or at least it considerably hampered it. It remains a fact that the Polish version of the 5-year plan for 1956-60 was changed in 1956-57, and – to our knowledge – that was done without any consultations with Gosplan.

In the second half of the 1950s, the sessions of COMECON were not very effective. In 1959, N. Faddeev, a former advisor to the Viet Nam government, was appointed as the next head of COMECON. He made an observation that COMECON had no statute. Under his rule the administrative machine of COMECON was quite extended. Also, under his rule COMECON started building investments in the vein of great international organizations.

In the late 1950s, in Poland a discussion began about the purpose of the existence of COMECON. It was claimed that if it had to exist it might be used for the benefit and economic development of the member-countries, for instance, in the area of specialization, labor division, cooperation of production, and joint investments based on the principle of comparative costs. It was believed that the exchange-finance settlements should be simplified and the COMECON Bank should expand its services to include clearing accounts. Some new postulates were presented by Prof. M. Kalecki who proposed standardization of the method of calculating the profitability of COMECON investments.

In the early 1960s, Poles even suggested liquidating COMECON and founding in its place an organization under a different name and with different goals. The premise underlying the Polish memorandum was to rationalize COMECON, among others, by adjusting the COMECON prices to the world prices and by decreasing the state control of the market. The memorandum was an offshoot of the idea of reforms proposed by the Economic Council in 1957–1958.

We tend to believe that in the beginning the ideas were favorably approached by Gomulka, the then I Secretary of the Polish United Workers' Party. A higher-rank representative of the Party Z. Kliszko defended these proposals in Moscow during his meeting with J. Andropov, yet to no avail. Finally, following N.S. Khrushchev's wish the Political Bureau of the Central Committee of the Polish United Workers' Party withdrew this proposal.

The main idea lying behind this enterprise was well conveyed at a Moscow meeting of representatives of the member countries in February 1963, where Khrushchev said in his speech: "As Communists, we can foresee that we will reach a full unification of our economies and countries. When it is going to happen is hard to say. The political conditions have ripened enough, while the economic ones have not. "

It seems that this terse statement of Khrushchev unveiled the true objectives set by the COMECON, i.e. full unification of "the economies" of the member-countries of the COMECON. It was a political goal, which however since 1959 was resisted by both the governments of the COMECON countries and by the economy itself. It is more accurate to say the COMECON was rather an economic annex of political integration than a truly trade organization. There is nothing to support the view that in the 1970s and 1980s the goals considerably changed.

The détente of the mid-1950s did not have a significant effect on the increase of import of technology (COMCOM), and therefore, the role of the U.S.A. and other developed western countries as COMECON partners was little. The 1980-ties saw a controversy between western European countries and the President Reagan over western European supplies of equipment for gas main which was to link Siberia and Western Europe. For President Reagan hindering the construction of the gas piping was one of the elements of an economic war the United States waged against the U.S.S.R.

In the late 1950s certain changes were introduced in the COMECON. Instead of prices fixed in 1949 and applied without any changes till 1956, a principle was adopted to change them every 5 years, and since 1970 every year. Progressive prices, calculated on the basis of average many years' world prices, were modified and introduced with a certain delay in relation to the inside settlements within the COMECON. Most Poles believed that the prices were unfavorable for us, which was raised as an issue by the political opposition during the conflicts of 1956, 1970, 1981, and 1989. The Polish political opposition demanded that the transactions be settled using world prices and exchangeable currency.

It was because of the system of settlement – a subject of a constant criticism – and a continuous deficiency of the same goods on the inside market of the COMECON countries that each of the country aimed at obtaining a passive trade balance. In the COMECON countries it was better to be a debtor than a creditor, for reliability could not be converted into goods in demand on a given market and deficient raw materials. A very significant snag in the mutual financial settlements was inconvertibility of transfer roubles in which all trade balances were calculated. Poland was rather in the position of a creditor, and this is why it attempted to introduce clearing settlements in the COMECON Bank and at least 10% payment of balances in convertible currency. The Soviet authorities did not want to agree to that and as a result transfer rubbles were accumulating on the accounts of COMECON members.

Since the mid-1950s the Soviet Union received from Poland not only coal, zinc and food, but also machines and equipment. Between 1950-1989 the most important trade partner of Poland was the Soviet Union. This is best reflected by the numbers compiled below:

Total value of export and export to the USSR – the first foreign trade partner of Poland in 1950–1989

Years	Total value of export in million dollars	Share of USSR in total export
		In %
1950	634.3	24.3
1955	919.7	30.5
1960	1325.5	29.4
1965	2227.9	35.1
1970	3547.6	35.3
1975	10289.4	31.5
1980	16996.8	31.2
1985	11489.4	28.4
1989	13466.1	20.8

Source: Foreign Trade 1991, Chief Central Statistical Office 1991, p.2.

In the 1970s export to the U.S.SR included coal, coke, milled wares, steel pipes, sheet metal, copper, zinc, iron-cast, industrial metal fittings, metal constructions, rolling bearings, tools, household equipment (ovens, sowing machines, etc.), industrial machines and installations, excavators, bulldozers, pumps and air-compressors, cargo cars, buses, trucks, tractors, car parts, fitted ships, different electric and telecommunication appliances, semi-conductors, sulfuric acid, paints and varnishes, pharmaceuticals, cosmetics, plastics, cements, furniture, cotton, wool and silk fabrics, clothes, shoes, leather products, meat, eggs, alcohol, beer, vegetables, potatoes, seeds, and even post stamps. In 1989 – the last year of the Soviet Union's priority in Polish foreign trade – the total sum (100%) of the Polish export to the U.S.S.R. included the following: fuel and energy – 8.8%, products of metallurgic industry – 3.2%, of electromachine industry 61.8%, chemical industry – 12.3%, light industry – 3.7%, food industry – 1.3%, agricultural products – 2.9%, and construction industry – 4.5%.

In 1990, trade turnover with the U.S.S.R. dropped considerably, and the first new trade partner of Poland was the Federal Republic of Germany. When on January 1, 1991, world prices and exchangeable currency were introduced as the basis of bilateral settlements in the trade with the U.S.S.R., the export to the Soviet Union slumped, aggravating recession and unemployment in plants manufacturing for the Soviet markets.

Let us try and reach some conclusions. The numbers given below exemplify Polish export to Russia and the U.S.S.R in million dollars expressed in current prices:

Years	Polish export to Russia and the USSR in million dollars in current prices
Till 1820*	0,0
1850*	0.9
1880*	39.0
1910*	263.0
1930	14.5
1950	154.0
1980	5303,0
1990	2191.2

• Kingdom of Poland

Taken from: Jezierski A. Leszczyńska C., *Dzieje gospodarcze Polski w zarysie do 1989* [Brief Economic History of Poland till 1989], Warsaw 1994, p. 268

A positive effect of the eastern markets (understood as the whole empire) on the development of Polish industry may be observed clearly in 1880-1910 and 1950-1989. Till 1880 the industrial development in Poland was mainly influenced by the Lithuanian, Ukrainian, and Belorussian markets. Loss of these markers in the aftermath of the Riga Treaty was one of the main causes of a long-term economic recession. A similar situation may, though does not have to, occur after 1990. It seems that political events affecting the future of eastern markets may evolve in three different directions.

Variant 1 – the Ukraine, Belorussia and Lithuania, within their present borders, will be totally independent countries in the political and economic sense, and the Polish industry will have a chance to enter their markets again;

Varian II – the Ukraine, Belorussia and Lithuania will not succeed in remaining independent in the political or economic sense, and, therefore, they will remain in the zone of influence of Russia; and in consequence the Polish eastern markets will be marginal in character due to the expansion of American, Japanese, and German capital; in all probability then Poland will not be able to compete with them, the first symptoms of which can be observed today.

Variant III – the Ukraine, Belorussia and Lithuania will be regaining economic stability for a long time and they will remain partly dependent on Moscow; there is also some chance that today's "tourist" frontier trade exchange will come out of the gray sphere and will contribute to a process of gradual retrieval by Poland of the eastern frontiers of the I Republic of Poland.

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