The present study seeks to examine the working of the foreign trade system of the socialist countries, particularly the socialist countries of East Europe which constitute the council for Mutual Economic Assistance, COMEA, or what is popularly known as COMECON. The CMEA represents an attempt to realise the goals of the socialist economic integration. It has achieved a remarkable success in achieving many of its basic goals such as rapid industrialization, equalization of levels of development, a higher standard of living, etc. Yet, of late, the CMEA like the EEC in the West has been facing problems in the field of harmonization of investment policy, currency convertibility, exchange rates and the common currency. In the West the solution to such problems is sought through the market mechanism while in the CMEA bloc the method of central planning, plan coordination and multilateral agreements is used to tackle the emerging problems. The present study tries to lay bare the nature of the problems of the socialist foreign trade which emanate from the socialist economic system itself, particularly from its method of central economic planning. The study also delves into the policy measures adopted by the socialist countries to revamp the system to face the problems of the intensive growth phase of their economies.
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