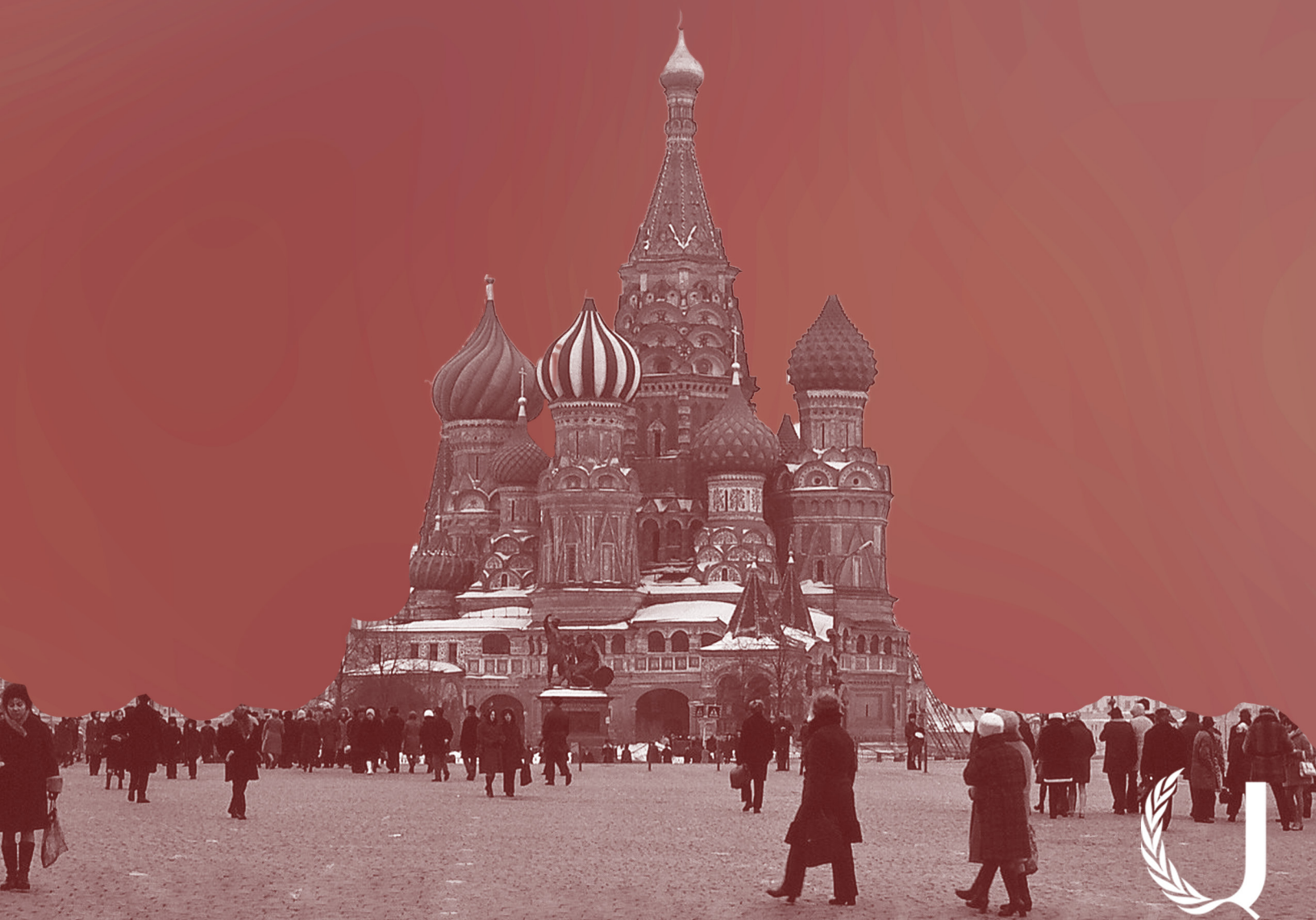


# COMECON, 1985

*DELEGATE BACKGROUND GUIDE*



# *Staff*

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DIRECTOR:  
Liza Kanopatykaia

VICE-DIRECTORS:  
XueGe Huang

MODERATOR:  
Christine Siomou

# ***A Letter From Your Director...***

**Dear delegates,**

Welcome to the Session of the Council for Mutual Economic Assistance where ambassadors, generals, dignitaries, diplomats, and economic moguls have gathered to discuss the future of the USSR. On behalf of the Specialized Committees Team, it is with great pleasure that we welcome you to our 2017 UTMUN conference and the COMECON Committee. My name is Liza Kanopatykaia, and I will be serving as your Committee Director. I am currently a first-year student studying International Relations with a focus on European History. Having been a part of numerous MUN conferences, including UTMUN three years in a row, I am an advocate for the experience that they provide. You will learn to think and respond quickly, write effectively, and cooperate with competing interests of your fellow delegates in a diplomatic and intellectual manner. It does not matter whether you have attended one or twenty MUN conferences; I hope that this committee, and any subsequent committees that you will attend, will provide you with the diplomatic and cooperative skills that they are designed to foster.

In this committee, we will be discussing a number of topics ranging from the 1985-89 period of meetings of COMECON. This period was the final frontier of the dominance and existence of the USSR and the Soviet Union. We will examine the economic events, policies, and propositions as well as political catalysts which led to the collapse of the Soviet Union in 1991. We will examine the economic policies of the Soviet Union that dominated the rest of the USSR as well as their impact on the domestic markets of USSR nations and the international market-relations with the Western powers. The USSR's transformation in the period we will be discussing is crucial to understanding the economic transformations which occurred on an international scale. Gorbachev's reforms will be stressed and debated to a great extent. Furthermore, stress will be placed on external and international factors that influenced the economic power of the Soviet Union including revolts in socialist states, the Soviet-Afghan War, and the world economic crises that led to the Soviet Union's policies as well as their downfalls. Lastly, the potential democratization of the Soviet Union will be discussed as a way to tie in the latter topics. Ultimately, it was economic policies that influenced the fall of the Soviet Union; we will experiment with them to see just how great that fall was.

I wish you the best of luck with your research and I look forward to meeting you all in February. Should you have any questions regarding the committee, your position paper, or your position in the committee, feel free to email me.

Best Regards,

***Liza Kanopatykaia***

Director of COMECON Specialized Committee

# COMECON 1985



Photo: Janette Asche, Flickr

## ***Background Information***

The Council for Mutual Economic Assistance was formed in 1949 by our dearly departed Uncle Josef Stalin as a method of resisting the Marshall Plan and allow the Eastern bloc countries and their communist allies to become self-sufficient, independent, economic machines that depended on one another. The central goal is to dominate and counter the expanding sphere of influence of the capitalist West as well as the Organization for European Economic Co-Operation by providing a dogmatic, Socialist way of engaging in productive, co-operative economic activity. Our purpose is to exchange economic experiences, extend technical aid to one another, and to render mutual assistance with respect to raw materials, foodstuffs, machines, and equipment. What is most important to understand about our core principle is the socialist undertone; we must co-operate, not dissent, in order to uphold the status of the socialist economies in the Eastern bloc. Thus far, we have redirected commerce of our member states towards each other and introduced replacement industries to replace imports that would have otherwise been coming from outside our sacred union, thus preserving the integrity and sufficiency of our bloc. We have unified our electrical systems under the Central Dispatching Board and have ensured that energy persists to move throughout our lands via the Druzhba (Friendship) oil pipeline. Further development has been made in the sphere of Nuclear Power with the establishment of the Institute for Nuclear research; a vital organ of COMECON and our pursuit for a self-sufficient socialist economy. After the death of our dear Uncle, those preceding you continued His mission but with a more militaristic perspective due to the raging Cold War. Договор о дружбе, сотрудничестве и взаимной



помощи, or better known as the Warsaw Treaty On Friendship, Cooperation, and Mutual Assistance, prevailed as a military defense treaty amongst members of our bloc, ensuring that while new entities such as NATO and their allies have weaseled their way into our global sphere of influence, we maintain a system of stationed military forces in Central and Eastern Europe.

While we engage in economic activities, we cannot allow ourselves to fall into the capitalist traps of the West and their organs. We must maintain our socialist integrity and communal negotiation and cooperation in the fields listed above. Those preceding you, our dear comrade Nikita Krushchev to be more precise, have established the Basic Principles of the International Socialist Division of Labour in order to maintain our socialist integrity while pursuing economic goals. This doctrine called for specialization and interdependence as well as cooperation between member states to ensure that the socialist commonwealth based on a unified regional economy persists. A revolution had struck our committee under Leonid Brezhnev in 1967 when we adopted the "interested party" principle under which any member could opt out of any project they chose but still use Comecon resources to coordinate their economic and developmental activities. While previously we had functioned on the sole principle of cooperation rather than integration, member countries were now able to pursue personal economic endeavours, namely, Romania utilized this doctrine to its advantage. This doctrine was particularly useful in achieving economic successes in the 1970s due to the development of Soviet oil fields and the Soviet monopolisation of oil prices as per the Bucharest Formula. Consequently, the Eastern bloc was largely unaffected by the 1973 oil crisis and prevailed as a network of cooperative, integrated economies. Taking this as a template, COMECON members engaged in the Orenburg Project, completed in 1978, which consisted of a natural gas complex in western Siberia and the Soiuz (Union) natural gas pipeline that linked the complex to the western border of the Soviet Union. This project combined the market and five-year plan economic principles as each member was responsible for construction within its borders while the host country, the Soviet Union, oversaw the plan that came to fruition mostly within its borders.

While COMECON largely focused on economic activity, we maintained our socialist integrity which as outlined in the 1968 Brezhnev Doctrine, stating, "when forces that are hostile to socialism try to turn the development of some socialist country towards capitalism, it becomes not only a problem of the country concerned, but a common problem and concern of all socialist countries". Our socialist economic principles were indoctrinated and reaffirmed in 1971 with the Comprehensive Program for Socialist Integration. This program combined elements of both market and five-year-plan approaches at a time when COMECON was opening up to the possibility of relations with extra-COMECON nations, including the West. The market approach aimed to strengthen the role of money, prices, and exchange rates in intra-COMECON relations and to encourage direct contacts amongst lower-level economic entities in member countries. However, do not perceive this as a weakness towards capitalist pressures as the Comprehensive Plan also called for joint planning at the sectoral basis through entities which would coordinate members' activities to ensure the utmost productivity and cooperation. Joint and multilateral projects were the backbone of the Comprehensive Plan to ensure cross-sector cooperation and socialist integration amongst member states. However, socialist economic integration was deemed completely voluntary and did not involve the creation of supranational bodies. The Comprehensive Plan in turn aided the creation of the Concerted Plan for Multilateral Integration Measures as well as the Long-Term Programs for Co-operation in Major Economic Sectors and Subsectors. These plans met the economically based requirements of Comecon member countries for basic kinds of energy, fuels, and raw materials; the development of the machine-building industries on the basis of intense specialization and cooperation in production; the fulfillment of national demands

for basic foodstuffs and industrial consumer goods; and modernization and development of transport links among member countries. These promises yielded productive economies within member states that allowed for conversion to the socialist system, emphasis on industry, transportation, and communication, and the production of machines and chemicals as opposed to agricultural goods. Consequently, COMECON countries were able to produce goods that could compete on the world market.

Now, we have arrived at the 1980s global situation. Our 1981-85 Five-Year Plans decreased extensive economic development, increased expenses for fuel and raw materials, but, thankfully, have decreased dependency on the West for both credit and hard currency. Several COMECON members experienced crises of their own, including Poland and their falling economy and labour unrest that occurred in 1980 as a result of a sharp rise in interest rates in the West that increased Polish debt. However, the high interest rates that increased the value of the United States dollar made alleviating the debts of member countries much harder. Our goal now is to reduce indebtedness, promote faster growth of exports over imports, and strengthen intraregional trade so a trade surplus can accumulate and aid the reduction of debt to Western countries. As the global economic situation changes and Western power grows, our goal is to not stray from our socialist economic interests. At our last meeting in 1984 in Moscow, we had discussed coordination of our economic strategies and the differing perspectives as well as interests contrary to those of other fellow members. The two specific goals of our last meeting were to strengthen unity among members and establish a closer connection between the production base, scientific and technological progress, and capital construction. However, as we are here now, it is clear that those goals were not met and are not near the desired outcome. Therefore, we are here at the 41st CMEA Session and at the beginning of a new global era. There have been anti-communist and anti-socialist revolts in several of our dear member states, including Poland, Romania, Germany, and Czechoslovakia, that have violated the integrity of our socialist economic model and must be suppressed. We must reinstate cooperation between all nations within our committee. Furthermore, due to the revolts in member states, economic productivity and development has reached a stagnant state in sectors of nuclear power, electricity, and industrial production. In order to combat this stagnant state, we must devise a new five-year plan that will take us into the next decade and allow us to pursue our socialist economic goals as a unit.

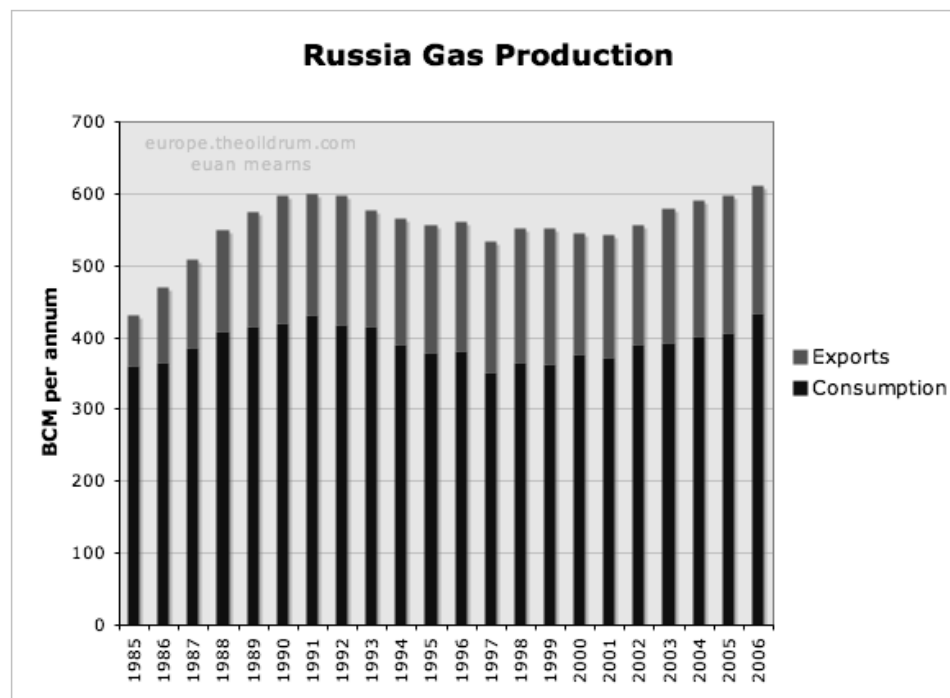
## ***Topic 1: The Growth Of Modern Technological Development: Its Role In Economic Growth And Socialist Production***

Due to the isolationist nature of the Soviet Union as a unit, there is a great deal of concern with the widening technological gap between the economies of member states and the rest of the world. COMECON provided advanced technological innovation through the Orenburg Project. Furthermore, the Soviet monopoly-style system of oil exchange that prevented member states from feeling the burn from the 1973 oil crisis allowed for a self-sustaining system to flourish but still forced the Soviet Union to engage in trade with foreign countries such as non-Comecon European nations for gas and Japan for oil. However, while the 1971 Comprehensive Program emphasized scientific and technological development, it failed to establish a concrete system of national and international endeavours that would allow the East to catch up with the West. The strength of the Eastern bloc lies in the production of energy but its technological development has become stagnant. The major question is how

can we continue to maintain our global stance as an energy powerhouse while also catching up to the West's technological and scientific development and integrating it into the world and domestic markets of member states.

## NATURAL GAS

Natural gas replaced oil as the “growth fuel” of the Soviet Union. The construction of the Soyuz Natural Gas Pipeline under the Orenburg Project allowed for natural gas to flow freely throughout the Soviet Union over a 2677 stretch of land, mainly running through Ukraine. It connected East European COMECON countries with the Soviet Union and served as one of the largest joint projects COMECON countries ever undertook. Gas is cheaper than oil to extract, and Soviet gas deposits are estimated to be three times larger than oil deposits. In 1983 an output of 536 billion cubic meters of gas put the Soviet Union ahead of the United States in gas production for the first time. Furthermore, the construction of the Ust' Ilim pulp plant in central Siberia allowed for the development and exportation of pulp products all throughout Eastern Europe.

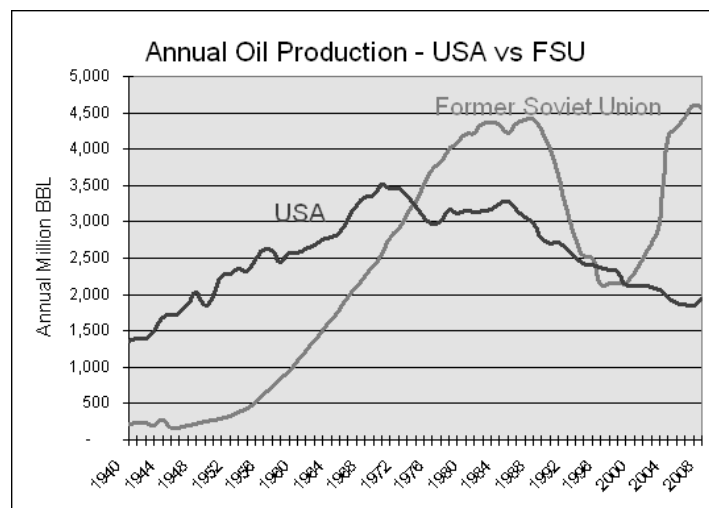


These projects were the pinnacle of the gas and pulp investments as outlined in the 1971 Comprehensive Program therefore they serve as the groundwork for future joint-investment and cooperative projects. Because of transport distance and harsh climate, fuel extraction in western Siberia is a monumental undertaking that becomes more formidable as the industry moves northward. Although high-power pumping stations are necessary to move gas over long distances, in the late 1980s the Soviet machine-building industry was not providing adequate equipment to maintain a steady flow through some of the major lines. While the center of the older Volga-Ural fields is Orenburg, other major gas fields are located in the Uzbek, Turkmen, and Ukrainian republics. The main instrument of gas export policy was the pipeline connecting Urengoy with Western Europe. This line began pumping gas to four West European countries (Austria, France, Italy, and the Federal Republic of Germany [West Germany]) in 1984, despite strong opposition from the United States. Delivery was scheduled to increase to a steady rate of 57 billion cubic meters per year by 1990. The council

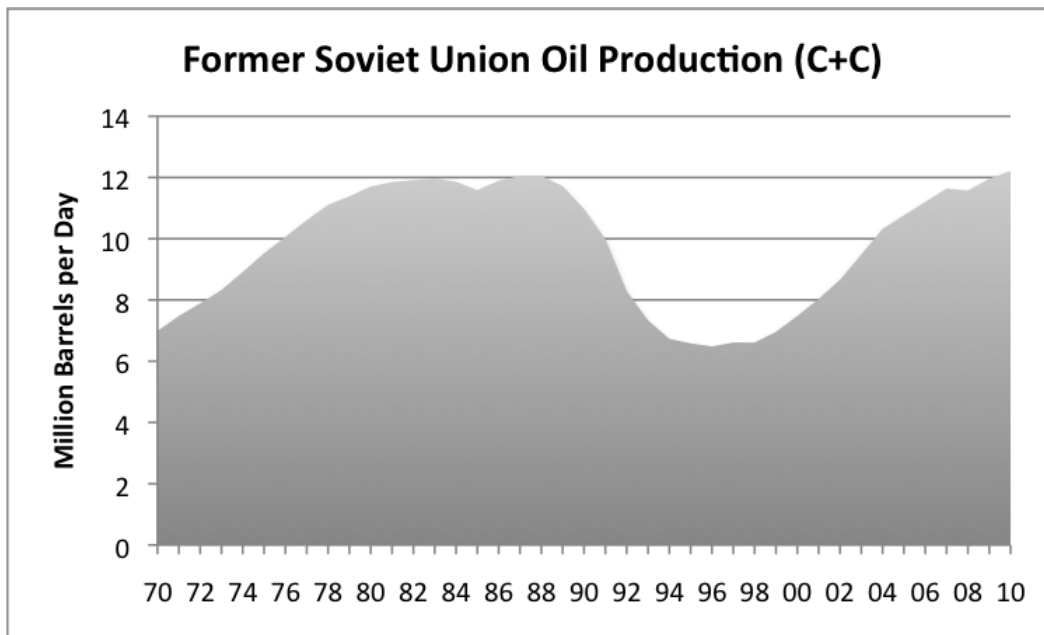
must consider the role of individual infrastructure and potential joint projects in creating and sustaining natural gas lines. Before the council can proceed with investment in future projects, we must ensure the sustenance of previous projects and the proper maintenance of infrastructure. Currently, there are large natural gas reserves in the Ural and Volga regions and it is the goal of this council to utilize them to our advantage in developing both industrial and scientific innovations. However, negotiations must take place with Gazprom in order to access their monopoly and aid on the natural gas resources of the Soviet Union. The council must note the subdivision of these tasks into traditional Five-Year Plans that govern development and set goals that must be met within the allotted time. The drafting of these plans has formerly allowed the Soviet Union to keep track of not only its own development, but development in comparison to the Western World.

## OIL

The Druzhba Pipeline is the world's longest and most complex network of oil pipelines that runs for 4000 kilometers from Eastern Russia to the fraternal socialist allies in Ukraine, Poland, Hungary, the Czech Republic, and Germany. Due to the self-sustaining power that this provided, the Soviet Union is able to engage in oil transfers that are priced far below the market price of oil. This is in part due to the fact that oil is relatively abundant to manufactured goods produced inside the USSR. The demand for Soviet oil skyrocketed as prices rose in the 1970s due to the oil crisis. However, now that the oil crisis has subsided and the world has found other alternatives, oil revenues have decreased substantially and the Soviet Union is currently \$31 billion in debt to foreign creditors, especially in the Western world. While the USSR's worst nightmare is being forced to cooperate with Western powers, what alternative do we have at this point? What is important to consider is the fact that Soviet oil exports to COMECON countries have bought vital machinery and equipment that has increased the production and sale of industrial consumer goods, balancing the power scale between the West and the USSR. The necessity for industrial development is pressing as the rest of the world continues to industrially develop at a much faster pace than the USSR. It is only through the development and maintenance of the oil and gas industries that the USSR will gain enough financial surplus to create and maintain investment in scientific and technological innovation. However, the heightened political tensions, heightened oil production costs, and fall of the US dollar have rendered trade non mutually-beneficial as the revenue the Soviet Union receives for exports to the West is less that expected or needed to maintain the industry, lowering the purchasing power of the Soviet Union.







## NUCLEAR ENERGY

Soviet technology was most highly developed in the fields of nuclear physics, where the arms race with the West convinced policy makers to set aside sufficient resources for research. Consequently, the Soviet Union was the second nation to develop an Atomic Bomb. However, Soviet scientists face a great wall since they seldom engage in research and cooperation with foreign scientists. The major question for this council, therefore, is to what extent can Soviet scientists be permitted to engage in cross-dimensional and cross-ideological discussion with countries such as those of the West.

The goal of the Soviet Union is to become as self-sustaining as possible, and that is why the investment in nuclear energy and nuclear power plants is of vital importance. Even though the Soviet Union is a large industrial state which bases its economic development on its own mineral fuel resources, it cannot afford to neglect the development of nuclear power, because about 80% of its energy resources are concentrated in eastern regions of the country, while 75% of the population and consumers of power are concentrated in the European part of the USSR. The transport of fuel from the east of the Soviet Union to western regions constitutes about 40% of the turnover of the country's rail freight. Despite the fact that the costs of producing nuclear power are twice more than that of natural sources of power such as gas and oil, it is still the favoured energy model by the Soviet Union since it provides a much larger capacity for sustaining multiple nations on its back, providing more revenue for the Soviet Union in the long run. More scientific development needs to take place within the energy sector since, as of mid-1985, factories in Eastern Europe still use 40% more fuel than those in the West.

Large-scale development of nuclear power in the USSR is impossible without creation of a nuclear industry using the most modern technology in all stages of its fuel cycle. The development of nuclear power and the nuclear industry in the USSR would be impossible without securing the raw material resources. In a rather short period of time, uranium deposits have been discovered in the country and a reliable resource-base established. There are quite favourable prospects for its further extension and increase. Uranium-ore deposits in the Soviet Union are located in very different climatic and geographical zones, many of them have complicated geological, hydrological, and climatic conditions. They are found at different

depths from a few metres, to 2000 m and even deeper. The ore bodies are of very different shapes in different locations and of varying mineralogical content. Commercial deposits of uranium in the Soviet Union are characterized by a wide variety of conditions of localization and of various generic types. At the present time uranium mining represents a separate and important branch of the mining industry. Depending on individual geological conditions of deposits and the content of uranium in the ore, the treatment of uranium deposits is carried out by underground mining, open pit mining, or in situ leaching.

In 1981 the 26th Party Congress decided that almost all growth of electricity production in the European part of the country should be achieved by the construction of nuclear power and hydroelectric plants. The decision will significantly alleviate the problems of fuel and power supply. But at the same time, since less than 25% of the organic fuel resources consumed in the USSR are used for electricity production and, since during the forthcoming five-year period nuclear power plants can provide base-load consumers with electrical power only in the European part of the country, contribution of nuclear power to the fuel supply cannot exceed 10 to 15%. This means that nuclear power, while substantially alleviating the fuel and power supply problems, is not yet able to solve them radically. The solution of these problems is possible only through substantial broadening of the sphere of utilization of nuclear power.

The diverse utilizations for nuclear power have been laid out in the long-term programme of cooperation in the fields of energy, fuel, and raw materials which envisions technical co-operation in the construction and introduction of nuclear power plants in the COMECON countries. An international commercial organization, Interatomenergo, has been founded for the co-operative manufacture and supply of equipment for nuclear power plants by the member countries of the CMEA. Yugoslavia is also taking part in these activities. Non-militarized nuclear energy is a relatively new concept in the world. It is therefore imperative that nuclear power plants currently in operation are maintained and reinforced in order to prevent any major disasters. Currently, one of the largest operating nuclear power plants in the USSR is the Chernobyl Nuclear Power Plant located in Pripyat, Ukraine. It currently produces approximately 10% of Ukraine's total electricity supply. In 1982, there was a partial meltdown of Reactor Number 1. Even though the damage was repaired in a few months, the meltdown has not yet been made public.

Propositions in developments in the above sectors and more has been outlined in the 1985 Comprehensive Program for the Development of Science and Technology. The program laid out sizable tasks in five key areas: electronics, automation systems, nuclear energy, development of new materials, and biotechnology. It sought to restructure and modernize the member states' economies to counteract constraints on labor and material supplies. The need to move to intensive production techniques within COMECON was evident from the fact that from 1961 to 1984 the overall material intensiveness of production did not improve substantially. The 1985 program provided a general framework for COMECON's new direction of development. Details were to be settled in bilateral agreements. The program set forth 93 projects and 800 subprojects within the 5 broad areas of development. A Soviet ministry supervised each of the areas and was responsible for the technical level and quality of output, compliance with research and production schedules, costs, and sales. Each project was headed by a Soviet organization, which awarded contracts to other COMECON-member organizations. The Soviet project heads, who were not be responsible to domestic planners, had extensive executive powers of their own and will closely supervise all activities. The program represents a fundamentally new approach to multilateral collaboration and a first step toward investing COMECON with some supranational authority. Turning to the West and Japan for technological advancement puts COMECON in a very dangerous

position because it pulls the East European members further away from the Soviet Union and threatened to leave the entire organization at the mercy of the West. The purpose of the 1985 program is to reduce COMECON's vulnerability to "technological blackmail" through broadened mutual cooperation, increased efficiency of cooperation, and improved quality of output. Major projects for the 1986-90 period include a 5,600 km natural-gas pipeline from the Yamburg Peninsula in Siberia to Eastern Europe; the Krivoy Rog (in the Ukraine), a mining and enrichment combine that would produce 13 million tons of iron ore annually, the production and exchange of 500 million rubles' worth of equipment for nuclear power plants; and joint projects for extracting coal in Poland, magnesite in Czechoslovakia, nickel in Cuba, and nonferrous metals in Mongolia.



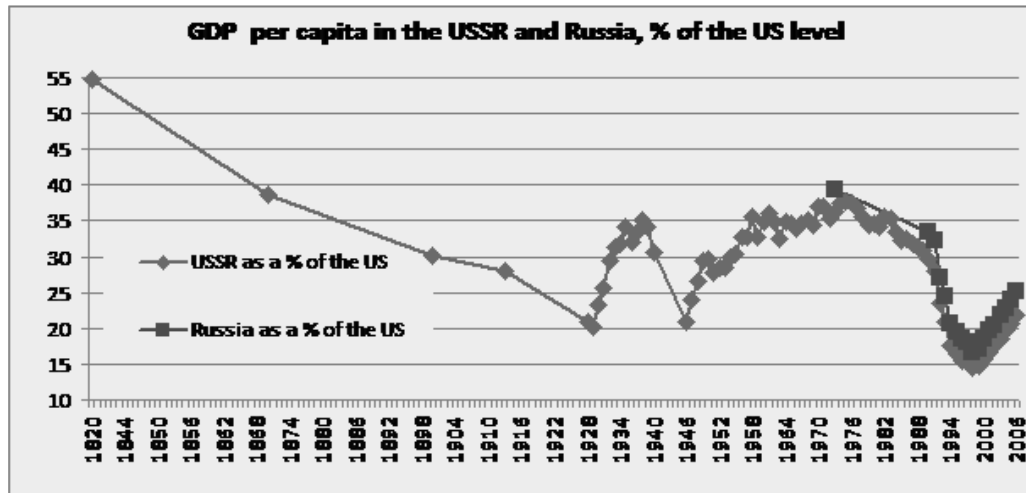
The Comprehensive Program for Technological and Scientific Development also introduces the approaches of Perestroika, Uskoreniye, the "human factor" and Glasnost. The acceleration was planned to be based on technical and scientific progress, revamping of heavy industry in accordance with the Marxian economics about the importance of development of heavy industry over light industry, taking the "human factor" into account, and increasing the labour discipline and responsibility of apparatchiks, the professional "apparatus" of the Communist Government. The reforms decentralised things to some extent, although price controls remained, as did the ruble's inconvertibility and most government controls over the means of production.

## ***Topic 2: Capital Intensive Projects: How To Revive The Stagnating Economies Of The Eastern Bloc***

The economies of the Eastern Bloc have grown stagnant due to the fact that there are no mechanisms of mutual economic assistance, coordination of economic policies, or any mechanisms designed to cope with financial problems. While the Comprehensive Programme for Scientific and Technological Progress is expected to ensure closer links between research and production as well as the establishments of direct ties across national borders and between organizations in member states, there is still no intra-COMECON mechanism to ensure the success of these projections. Due to the varying domestic and foreign policies of COMECON member countries, it is difficult to coordinate projects and economic investments. Under the Comprehensive Programme of 1971, the clearest area of achievement is the joint exploitation and development of natural resources for the economies of the member countries. In the past, this has been done through joint projects which helped ease the investment burden on a single country when expansion of its production capacity was required to satisfy the needs of other members. Particular attention must be given to energy and fuels, forest industry, iron, and steel. While most of this activity is traditionally carried out within the Soviet Union, other COMECON member states have not only the capacity but also the joint resources to carry out alternative projects equivalent to the power of those carried out by the Soviet Union.

The vital aspect of joint projects is plan coordination. As per the 1971 Comprehensive Program, joint planning, whether multilateral or bilateral, was to be limited to "interested countries" and was "not to interfere with the autonomy of internal planning". Participating countries can retain national ownership of the productive resources which were jointly planned. These joint projects contribute greatly to the devising of Five-Year Plans as per the national and foreign policy of the country. However, in the new era of joint projects and coordinative planning, it is important to recognize not only the autonomy of the country, but the collective interest of COMECON as an anti-West entity. Therefore it is important to note that the council must cooperate in creating plans that not only benefit the self-interest of the nation in question, but the collective interest of COMECON nations. Countries must inquire about the nature of their resources and report to COMECON nations in order to devise a plan of specialization that will benefit each nation. Production specialization can be brought about only through the mechanism of the national Five-Year Plan and the investment decisions incorporated in it. In the absence at the regional level of national planning bodies, a rational pattern of production specialization among members' economies requires coordination of

national economic plans, a process that poses many political implications. Furthermore, this process is impeded by preceding development projects that countries are engaged in as part of previous Plans and refuse to abandon them as a way to reduce the risks of mutual dependence. Therefore, plan coordination has remained limited to simple mutual adjustment of the foreign trade sectors through bilateral consultation.



Apart from the inconsistencies in plan coordination and lack of investment in joint projects, the economies of the Eastern bloc have grown stagnant due to the inconsistent exchange rates and currencies of COMECON nations. The basic feature of state trading systems of the COMECON countries are the multiple exchange rates and comprehensive exchange controls that severely restrict the convertibility of members' currencies. While the International Bank uses the centralized and transferable ruble, the issue is that the members' currencies are often inconvertible. Therefore, currency within COMECON continues to be an accounting feature rather than a legitimate, functional instrument. While the independent exchange rate of COMECON has proved to be useful during times such as the 1973 oil crisis, it also provides inconsistency that drives COMECON further away from the world market and further away from catching up with the financial development of the West. The domestic prices of nations are often separated from the foreign prices of goods, creating significant inconvertibility, inconvenience, and obstacles to multilateral trade and cooperation. In order to combat this issue, the 1971 Comprehensive Program established a timetable for the improvement of monetary relations. According to the timetable, measures would be taken to strengthen the functions of the transferable ruble; the goal was to make the ruble convertible to national currencies and make national currencies mutually convertible. This was the preamble for the creation of a universal, single-rate, mutually convertible currency that would suit the needs of all COMECON member countries; whether this be converting the currencies of member nations or creating a single currency. However, this plan was never put into motion and only in Hungary were the conditions for convertibility gradually being introduced by reforms designed to link domestic prices to world prices. Due to this shortage of liquidity, international trade relations are currently stagnant and have forced countries into intraregional trade. This led to significant trade increases: 50% for Hungary, Romania, and the Soviet Union, 83% for Cuba, and 96% for Mongolia. However, while trade has been significantly increased, so has its decentralization. This has caused the emergence of the Second Economy of the Soviet Union; a black market system where nations have engaged in



trade that is in pursuit of private gain or that is in contravention of existing international law. Not only is this the case with COMECON nations, but it is also the case with COMECON allies such as China which engages in consistent shadow banking. China is not alone; however, the approach undermines the collective interests of COMECON nations and sends economic development to the secondary economy rather than the legitimate, primary economies of COMECON nations. In order to revive the stagnating economies of Eastern bloc nations, it is quintessential that this issue is addressed and combated.

The economic stagnation experienced by Eastern bloc and COMECON nations is largely attributed to the domestic and international conflicts faced by member states. COMECON countries are still recovering from the Era of Stagnation that has been aggravated by the ongoing war in Afghanistan and the Nixon Shock. Afghan insurgents receive massive amounts of aid, military training in neighboring Pakistan and China, paid for primarily by the United States and Arab monarchies in the Persian Gulf, largely undermining Soviet troops. However, the Soviet Union continues to invest in Soviet troops abroad in Afghanistan, drawing domestic development to a crawl. Meanwhile, the Nixon Shock, a series of economic measures undertaken by United States President Richard Nixon in 1971, the most significant of which was the unilateral cancellation of the direct international convertibility of the United States dollar to gold, continues to rock the convertibility of currency within the USSR. It is all of these factors and more that are keeping the Soviet Union and the USSR from developing domestically and, thereby, internationally. Domestic development is keeping the USSR's GDP relatively low and, unfortunately, stable at that uncomfortably low point. This stagnation also has been as a result of the failed coordination of mutual plans as well as failed central planning.

In an attempt to combat this, the Perestroika (restructuring) has been launched by the Soviet government with the main goal of restructuring Soviet economic and political conditions. It aims to make the USSR an economic competitor with capitalist countries such as Germany, Japan, and the US. Through this program, Gorbachev is decentralizing economic controls and encouraging enterprises to become self-financing, virtually attempting to capitalize communist countries. The major question to consider with this is whether the unstable, centralized economies of COMECON and USSR nations can handle the decentralization of policy while facing the stagnation of economies and a mass of internal conflicts including unstable elections and continuing public revolts in areas such as Poland. Specific attention should be paid to the effect which the economy has on the domestic and international policies of COMECON nations as well as vice versa. Furthermore, how has Gorbachev's policy of Uskoreniye and Perestroika influenced the economy of the Soviet Union which is the central hub the economic activity of the rest of the USSR. In other words, when the Soviet Union sneezes, the USSR catches the plague.

### ***Topic 3: Trade liberalization with the Western nations: Can Socialism Integrate itself with the Western Capitalist Economies?***

One of the greatest barriers to integration comes from the internal political misalignment of member states. In 1961, COMECON passed the Basic Principles of the International Socialist Division of Labour, aiming to concentrate the production of similar products in several socialist countries. When Nikita Krushchev followed up on this plan with a call for a common single planning organ; this was resisted by Czechoslovakia, Hungary, Poland, and, most emphatically, by the increasingly nationalistic Romania which strongly rejected the assigned role of agricultural specialization. The only nation that happily agreed to fully oblige was Bulgaria. In 1971, this this planned was reiterated through Brezhnev's Comprehensive Program for the Further Development of Socialist Economic Integration by COMECON Member Countries. Through this, COMECON activities were officially deemed integration rather than cooperation, meaning that countries were meant to match and coordinate each other's economies and Five Year Plans instead of cooperation with each other's differences. Socialist economic integration or "plan coordination", therefore, forms the basis of COMECON activities by virtue of coordination and joint projects. In this system, which mirrors the member countries' planned economies, the decisions handed down from above ignored the influences of market forces or private initiative. Comecon has no authority to make decisions or to implement them. Its recommendations can only be adopted with the full consensus of interested parties and does not affect those members who declare themselves disinterested parties. The purpose is equalization of "differences in relative scarcities of goods and services between states through the deliberate elimination of barriers to trade and other forms of interaction". While countries such as Bulgaria were feverishly for this plan, the direction of this plan was constantly frustrated by the national central planning prevalent in all COMECON countries, the increasing diversity in countries such as Cuba and Mongolia, and the overwhelming asymmetry and resulting distrust on behalf of small nations due to the Soviet Union's overpowering ownership of 88% of COMECON's territory and 60% of its population. Therefore, integration within COMECON must be tackled before integration with the growing democratic powers can be addressed; mostly in regards to the Comprehensive Program for Socialist Economic Integration as well as succeeding doctrines.

In 1985, trade with the West has been suppressed because of heightened East-West political tensions, successful Soviet grain harvests, high Soviet oil production costs, a devalued United States dollar, and falling oil prices. Despite increases in oil and natural gas exports, the Soviet Union's primary hard-currency earners, the country was receiving less revenue from its exports to the West. The lowered United States dollar, as part of the Nixon Shock, deeply reduced the purchasing power of the Soviet Union, disenfranchising and de-liberalizing trade further.

The shaky domestic and international relations between COMECON countries inhibit the integration of COMECON countries into the world market and democratic nations. This is in part due to the fact that COMECON countries choose to trade and agree only with countries of a socialist orientation. Soviet aid has historically provided most of the foreign capital and influenced their domestic policy significantly. The Soviet Union exports significantly to countries that are of a lesser status than itself; this includes, Mongolia, Afghanistan, and China. The Soviet Union inexpensively supplies its East European clients with hard goods in exchange for finished machinery and equipment. Soviet economic policies also bring with them, political and military support. During these years, the Soviet Union could be assured of relative political tranquillity within the bloc, obedience in international strategy, as laid down by the Soviet Union, and military support of Soviet aims.

There are political differences that must be accounted for when discussing liberalization of trade including international relations between the USSR and the democratic West as well as intranational relations within the USSR. Primarily, the international relations difference that must be accounted for is the nature of planning of the West and of the USSR. The United States trade system and domestic economy functions of the principle of long-term planning while the USSR system consists of short-term Five-Year Plans. With these differentiated systems, it is difficult for the United States to account for short term needs of other countries and it is more difficult for the USSR to estimate long-term needs of itself as well as its trading partners.

The early 1980s are a time of recentralization, not decentralization, that is why integration and cooperation has proved to be so difficult. However, the 1971 Comprehensive Program viewed the two sets of policies as complementary and affirmed that "because the international socialist division of labor is effected with due account taken of the world division of labor, the Comecon member countries shall continue to develop economic, scientific, and technological ties with other countries, irrespective of their social and political system." Therefore, by the mid-1980s, COMECON is looking to increase cooperation and integration with the West in order to match prices of the world market.

However, in the mid-80s, the United States has been reconsidering its trade policy towards the Soviet Union. The Soviet Union had restructured and decentralized authority for trade under the Ministry of Foreign Trade, made improvements in human rights policies, cooperated in arms control negotiations, and shown a willingness to experiment with joint ventures. Furthermore, the United States government recognized that restrictive trade policies were hurting its own economic interests. Through increased trade with the United States, the Soviet Union hoped to learn Western management, marketing, and manufacturing skills. Such skills would increase the ability of the Soviet Union to export manufactured goods, and thus earn hard currency, and would improve its competitiveness on the world market.

Trade between the United States and the Soviet Union consists of simple purchases paid for on a cash or credit basis, direct exchange of one good for another, or industrial cooperation agreements in which foreign firms participate in the construction or operation of plants within the Soviet Union. As previously mentioned, the Soviet Union relies heavily on trade and exports of its fuel resources in order to earn hard currency. Especially in the 70s and 80s, the significant drop in world market price on nuclear, oil, coal, and natural gas energy, allowed for trade to take place on a larger scale. However, due to the scientific inferiority of the Soviet Union, manufactured goods are of an inferior quality, both differing foreign firms from investment and hindering trade of these goods. Before trade can truly be liberalized, large-scale scientific and industrial development must take in within the USSR and other COMECON countries in order to allow for the development of goods to trade and attraction of foreign investment.

## ***Topic 4: Intra-Eastern Bloc Cooperation And Diplomacy: Examining Democracy And Accountability Within The Socialist Republics And Communist Countries***

The diplomatic relationships as the Soviet Union approached to its end presented a general idea of Soviet states examining democracy and accountability through various protests that extended throughout the entire Soviet territory. Mikhail Gorbachev's process of democratization attempted to reform the Communist Party as well as the entire USSR itself. The method that he used to shift power away from the Politburo was the foreign and economic policy of Perestroika and Glasnost. Perestroika is the political movement for the reformation or "restructuring" of the Communist Party. Perestroika allowed more independent actions from various ministries and introduced some market-like reforms. The goal of the perestroika, however, was not to end the command economy but rather to make socialism work more efficiently to better meet the needs of Soviet consumers. The process of implementing perestroika arguably exacerbated already existing political, social, and economic tensions within the Soviet Union and helped to further nationalism in the constituent republics. Essentially, this was an effort to implement elements of capitalism within the USSR and, potentially, democratize it. The Law on Cooperatives, enacted in May 1988, was perhaps the most radical of the economic reforms during the early part of the Gorbachev era. For the first time since Vladimir Lenin's New Economic Policy was abolished in 1928, the law permitted private ownership of businesses in the services, manufacturing, and foreign-trade sectors. The law initially imposed high taxes and employment restrictions,

but it later revised these to avoid discouraging private-sector activity. Under this provision, cooperative restaurants, shops, and manufacturers became part of the Soviet scene. The most significant of Gorbachev's reforms in the foreign economic sector allowed foreigners to invest in the Soviet Union in the form of joint ventures with Soviet ministries, state enterprises, and cooperatives.

In 1987, Gorbachev started to democratize the USSR by implementing the opportunity for the Communist Party members to elect their representatives and party officials, which was a huge step towards democracy. Thus, after 72 years, the first elections took place in USSR, during March 1989. The more political and economic power the Republics got, the less power the Supreme Soviet received, making it obsolete. Delegates decided to attend their republic's Soviet over the Supreme Soviet, which showed how Gorbachev's process of democratization had positive effects in the Communist society, however, this had a terrible effect on his rule. Gorbachev's "Demokratizatsiya" called for democratic elements to be introduced into the Soviet Union's single-party government. Demokratizatsiya meant the introduction of multi-candidate - not multiparty - elections for local Communist Party and Soviets. In this way, he hoped to rejuvenate the party with progressive personnel who would carry out his institutional and policy reforms. Demokratizatsiya went hand-in-hand with Gorbachev's policy of Glasnost, increasing public discussion of issues and accessibility of information to the public, and Uskoreniye, the "speeding up" of economic development.

This transition to democracy did not just come from Gorbachev's policies inside USSR, but also from the internal struggle in various Soviet states. Such struggles included Romania on December 1989, various protests in Spring of 1988 in the Baltic States (Lithuania, Latvia, and Estonia), the unrest in central Europe with the fall of the Berlin Wall, and the Solidarity movement and revolution of 1989 in Poland. Therefore, the actions of Gorbachev weakened public opinion on Communism and the Soviet power, this subsequently weakened the USSR leading to its dissolution.

Democracy in the USSR also received support from the Baltic states, and specifically from Latvia, Estonia, and Lithuania, creating an example for the rest of the Soviet states to follow. They were the first ones to be openly defiant of the Kremlin in 1988, when the rest of the Soviet union was relatively calm. For example, one action that was marked in the memories of the world was the formation of a human chain stretching the entire length of the three republics to protest the 15th anniversary of Soviet rule on August 24, 1989. In Lithuania the parliament passed the Act of the Supreme Council on the Restoration of the Independent Lithuanian State on March 11, 1990 by 124 votes to zero and 6 abstentions. On March 22, the Kremlin send tanks in the city and March 27, Soviet troops occupied strategic buildings. In Estonia and Latvia, independence was declared on March 30 and May 4, respectively, where the Kremlin imposed economic sanctions but had no effect the same way that the military actions had in Lithuania.

In Romania, the Romanian Revolution, a violent civil unrest period in December 1989 started in the city of Timișoara and spread throughout the country rapidly. This ultimately culminated in the show trial and execution of Communist leader Nicolae Ceaușescu, marking the end of a 42 year Communist rule in Romania. This revolution also led to the last removal of a Communist government from the Warsaw Pact, and it made Romania the only one that violently overthrew and executed its leader.

In central Europe, political unrest and anti-communist demonstrations spread from Hungary, to Bulgaria, to Czechoslovakia and lastly to East Germany, resulting in the iconic fall of the Berlin Wall, a symbol of separation between Germans and between Eastern and Western Europe, as well as Capitalism and Communism for over 20 years. The uprising began when the physical portion of the Iron Curtain was dismantled in Hungary, essentially opening the physical borders between Eastern and Western Europe, welcoming a massive exodus of East Germans. The mass demonstrations in cities such as Leipzig in combination with the

fall of the Berlin Wall, led to the symbolic reunification of Germany in 1990.

The Polish revolution of April, May, and August 1988 was instigated by the government's inability to stop Poland's economic decline, leading to strikes across the country. In order to take control of the situation, the government recognized the Solidarity union on August 31. An agreement came after a new series of negotiations in April 1989 and it resulted to partly open parliamentary elections. The communists failed to get the majority of the seats in the Sejm (lower house) and this caused a political crisis. There were two attempts by the communists to form governments and both of them failed. On September 12, the Sejm voted approval of Prime Minister Mazowiecki and his cabinet, after President Jaruzelski asked the Solidarity activist to form a government. Thus, for the first time in more than 40 years, Poland had a government ruled by non-communists. The Communist Polish United Workers' Party dissolved itself in January 1990 and the Social Democracy of the Republic of Poland and the property of the former Communist Party was turned over to the state. In December 1990, Lech Wałęsa became the first popularly elected President of Poland.

## ***Research Questions***

1. What developmental projects of COMECON take place within the borders and spheres of influence of your country?
2. What is the political, social, and economic scene in your country 1985-1989?
3. What are your country's/individual's main concerns and proposals; focus specifically on domestic interests.
4. What are the upper hands that the Western world and its allied bodies and entities have over the USSR? How can they be matched or combated?
5. In what ways do joint projects and plan coordination prove to be successful and in what ways do they fall short? What is your nation's/character's role in joint projects? How can bilateral consultation be transformed into a multilateral network of coordination and consultation between COMECON nations?
6. What are the implications of the inconvertibility of the ruble for your nation's economy?
7. How does the Soviet Union's involvement in the Soviet-Afghan War influence the stagnating economies of Eastern bloc nations? What are the diplomatic implications?
8. What is the nature of international relations between your country and the democratic West? How do political/economic differences influence this relationship?
9. How can long and short-term plans be coordinated between the West and the USSR in order to ensure mutually beneficial trade and economic sustenance? Specific attention must be paid to individual trading goals and the corresponding ones of the West.
10. What do Gorbachev's policies of Glasnost, Uskoreniye, Perestroika, khozrasschyot, and the "human factor" mean for your country? How will they impact the economic and political developments of your foreign and domestic policies?
11. Understand the limitations of foreign treaties, such as the Warsaw Pact, on the actions of your country.



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