LXIV

SIXTY-FOURTH SESSION

Joint Cabinet Crisis

Berkeley Model United Nations

Dear Delegates,

My name is Nathaniel Parke (usually go by Nate) and I am the head chair for the joint cabinet crisis committee this year. I am a third year Electrical Engineering and Computer Science major with a possible minor in Bioengineering. I am an avid runner and enjoy traveling to exotic and new lands. I also think that Berkeley is the best university in the world and would love to talk about college life and the admissions process.

I joined BMUN my freshman year and was a vice chair for Alexander the Great's War Council in LXII. For BMUN LXIII I was the head chair of 1st Disarmament and International Security in the General Assembly. That was a hell of a task as grading 150 position papers can be daunting. Conference weekend is always one of my favorite times of year because of the amazing material that is produced as well as the growth that we observe in delegates. My goal for the delegates this year is to have each of you emerge with a better understanding of both the topic as well as the structure and flow of advanced crisis committees.

I am extremely excited for BMUN LXIV and this year's topic for JCC. In choosing this topic I wanted to navigate away from the canon of JCC over the past few years of solely focussing on wartime scenarios. Throughout history there have been many wars and although those fit easily into the structure of this committee I wanted to try a different type of topic. This year we will be focussing on a more economically minded crisis that surrounded the collapse of the Soviet Bloc's economy after the regime of Mikhail Gorbachev. This period of history is particularly interesting from an economic point of view because of the forced privatization that was imposed by the Russian leadership. Many factions were created that have lead to the current economic climate of modern Russian and Eastern Europe. My hopes are that over the course of the conference these factions will arise organically and we as a committee, can observe their creation and emerge with a deeper understanding of emerging economies.

I am SOOOOOOO excited for BMUN LXIV and am looking forward to working with some of the best delegates there are. Our vice chairs this year are Jing Liong, Jessie Mao, Michael Eliot and Tushita Saraf. Feel free to email me at tech@bmun.org with any questions about committee. Good luck researching!!

Best,

Nathaniel Parke

Table of Contents

Political and Economic Climate of USSR

Economic conditions in the Soviet Union prior to 1985 were characterized by steady decline. Leonid Brezhnev, who was in office from May 7, 1960 to July 15, 1964, had established economic policies largely founded upon basic Stalinist principles of "state ownership of land and non-agricultural capital, collectivized farming, centralized planning of most production and intermediate consumption, and state provision of housing and basic amenities." Although these ideals initially stimulated the economy, the observed growth was not sustainable and was eventually reversed. Due to an emphasis on military spending, coupled with a lack of production of consumer goods, there was a shortage of resources needed to support the economy. Furthermore, there was little consideration for the efficiency of government-owned factories when funds were distributed. Though Brezhnev attempted to reform the economy to mitigate inefficiencies, his policies were ineffective. In addition to this, the government would regulate prices of consumer goods—however, because the set prices would often misalign with proper market values, the economy would be imbalanced.

Economic decline became more significant during the gerontocracy period, which concluded in the regimes of Yuri Andropov and Konstantin Chernenko in the early 1980s. Due to old age, both of these leaders were thought to be out of touch with their constituents. Chernenko, who was 72 when he became General Secretary, was more concerned with maintaining the status quo of the Marxist-Leninist government than with doing anything to reform or improve conditions within the Union. Historian Ilya Zemtsov argued that "Chernenko's weakness was due to the fact that the task he envisioned for himself was to bring the Communist system to the twenty-first century by means of old or at least insufficiently up-to-date methods of governing." Chernenko focused on maintaining the Soviet system by mirroring strategies of the past. This approach, however, would prove unsuccessful due to changes in the Soviet Union and the increased need to adapt to developments on the global level. Furthermore, the impact of these two leaders was limited by the amount of years they held power, which collectively amounted to only three years.

During the Brezhnev and late gerontocracy years, other problems plagued the Soviet Union. For one, the government continued to oppress the people and neglected policies that could have improved life of the public. As Ben Fowkes wrote, "Brezhnev's general attitude was to let sleeping dogs lie." Brezhnev's attempts to unify the diverse ethnicities that comprised the union generally are considered failures that worsened ethnic divides. This proved significant in the deterioration of relations between communist parties within the USSR—which was comprised of several separate nations that represented a handful of different ethnic groups, each of which had different languages, cultures, and histories. Though the government had wanted to unite these different entities under the Soviet flag, they failed to evoke nationalism. As a result, cohesion between the Soviet government and the various peoples was never cemented.

This fragmentation within the state would be a source of inefficiency for the party leadership for years to come. The focus on central planning and large government oversight prevented the party from being efficient due to the various ethnic groups that represented different cultural interests. This inefficiency would be a large motivating factor for later party leadership, specifically Mikhail Gorbachev who through westernization and reforms would aim to decentralize the government and bring about a more Westernized democracy that moved power from the central Russian government to citizens.

Description of Gorbachev’s Westernization

Initial Attempts at Reform

Mikhail Gorbachev was both the man that gave freedom and democracy to the largest modern-day empire and the gravedigger of the Bolshevik Revolution and its ideals. His attempts at Westernization, Democratization and reformation of the Soviet Union led to the disintegration of the Soviet system, destruction of the Union and the denouement of the Cold War, severing weakening East Europe.

Gorbachev began his reform after his October 1980 promotion to the Politburo. From 1980 to roughly December 1986, Gorbachev followed his predecessor-Andropov’s example, suggesting and implementing reforms within in the confines of the existing rigid system. His initial attempts aimed to reform the system without significantly altering its basic contours in the KGB style-removing corruption, improving party discipline, attacking “shirkers and slackers” in order to accelerate productivity and trying to transfer labor decision making to the workers from the managers and farm leaders. These initial attempts were extremely unpopular within the party this was exacerbated with his major public anti-alcohol campaign in an attempt to decrease alcohol mortality. The high prices for wine and vodka in particular, caused mass disgruntlement from the long lines and reduced supply of alcohol. These reforms were slow and cautiously handled; however, Gorbachev began to introduce new and stronger emphasis on the problems of the system publicly: the highly centralized system, nomenklature, the constant falsification and manipulation of information and the deep stagnation and ossification within the party ranks and officials who ignored the chronic problems within Soviet society.

Gorbachev was convinced that the future of the Soviet Union rested upon the population becoming fully informed about the systemic nature of Soviet problems, they needed greater liberty in decision making. For only then could the Soviet Union develop economically to overtake the West, he called for officials and media to “speak with the language of truth” and to “deepen socialist democracy to the self-government of the people”, these he hoped would be fulfilled if political structure and public media was fully transparent. Gorbachev hoped that this would spur the people's desire for a fundamental and radical overturn of the system as they became fully aware to its flaws and rigidities.

Adoption of new Party Programs at the XXVII Congress

Gorbachev was initially successful at animating the party and shaking up the system. The party at that time was cumbersome, lethargic and composed of mainly aging Brezhnev-minded members. Gorbachev's reforms were the antithesis of the party in many ways; the reforms compelled the party to act against itself, eroding its own power, prestige and traditions. The 27th Congress in February 1986 was dominated by Gorbachev's five-hour speech on the need for "Perestroika" (radical reform) to achieve "socialist democracy," to break down the inertia and apathy of the past, calling for a Western form of economic management that entailed greater worker input. He also introduced a second word, "Glasnost" (openness) to exemplify his campaign for greater openness, more public exposure of shortcomings to the public, "communists want the truth, always and under all circumstances."

Glasnost and Perestroika

Glasnost and Perestroika were to be a multi-pronged program of reforms. Gorbachev first needed to remove and weaken the anti-reformist conservatives in the state economy as part of his goal to erode authority and increase transparency. He removed thousands of party and government officials while opening the media to report highly critical articles on party behavior, traditions, weakness as well as every aspect of Soviet life. Writers were urged by Gorbachev to be innovative, bold and unabashed in their expression, encouraging controversial poets and artists, in order to mobilize the intelligentsia into spearheading his anti-bureaucratic movement in the hope of "forever rejecting self-flattery" so that "openness would become the norm of civic behavior." Censorship was gradually eased away, banned worked of film, literature and art were re-released into the public and forbidden themes-collectivization, famines, Cuban missile crisis and the misdeeds of Stalinism were integrated into public discourse. By late 1986, the party appointed more liberal editors at major media outlets and Gorbachev began to speak openly about his opposition-the ruling elites who "did not want to lose their rights and privileges." The concepts of acceleration, progress and Perestroika was squeezed and manhandled into the framework of Glasnost, to replace the obsolete dogmas and stereotypes. These were all vital injections to the revolutionary process of Glasnost.

Glasnost was a policy to permit greater freedom of expression, it had the effect of liberating the civil society. There came suddenly a flood of media about the most sacred of topics such as the distortions of Leninism by Stalin. Everyday newspapers and television programs would shed some dark secret about the past-the executions, the Gulags, the secret protocols of the Nazi-Soviet Pact. What this did in effect was that every basic tenet of the Union, all that the Union was built on was questioned and investigated by the people. The rise of Glasnost collided with the end of the Cold War. Where the removal of the old enemy and sense of threat from the West dissipated, the regime instead of replacing this with a new aim for the people to strive to, did nothing. This causes the loss of most of the justification of unquestioning allegiance and obedience to the party. The rising tide of critiques and exposures did away with much of the popularity of the part and transferred support to its most outspoken opposition- Yeltsin.

Glasnost was extended to "include the people in management of all state and public affairs, to complete the creation of a socialist state based on the rule of law." Committees could no longer issue direct instructions to agencies or organisations. The party was to stop administering the country directly and become a guiding force only. Gorbachev envisioned multiple candidate elections by ballot to remove the nomenklatura system of appointments from above to restore the people's support for the new people orientated and focused party.

His reforms also aimed to release power back to the people, to do so, he needed to erode the powers of the authority. Gorbachev did so by loosening party control on society, releasing prominent dissidents and "traitors to the state" from prison and exile, the most notable of these was Sakharov, and invited them to aid his efforts on reform. Suddenly, everywhere and everyone began voicing their opinions and criticising all aspects of the Union. Economists disputed the reliability of Soviet economic statistics, calling it "a stupidity." A serious discussion for a market economy or a return to the NEP raged on in the press. Here, Gorbachev proposed the outline for a transition to a market economy, later built upon by Yeltsin & Gaidar with self-financing businesses that would be able to independently negotiate contracts with other businesses and the state, thereby removing the command economy allowing market-decided price system and as well as non-state finance and credit options.

Perestroika was meant to restructure Soviet society and economy after Glasnost inspired public discourse and participation into all-due processes. One method which Gorbachev aimed to restructure the economy was to introduce cooperatives again-a form of collectively owned enterprises that would operate independently from the state. However, like much of Gorbachev's policies, his own bureaucracy thwarted this tool to transition into the market economy. They were refused supplies, financing and access to foreign currency. This resulted in high costs and therefore high prices for their services. Gorbachev's own unclear vision for the cooperatives reinforced the economic confusion and speculation it caused. It became clear that no one had a good idea how and what needed to be done for a command economy to move towards a market one. The policies remained contradictory and incomplete. Control figures and norms for production clashed with worker freedom in decisions.

Evaluation of Effectiveness of Reforms

The new program adopted by the Party at the XXVII Congress was the first since Khrushchev's 1961 program. 25 years had elapsed by until the newest reform, the party system and structure had grown into the stagnant, ossified, bureaucratic entity exemplified by the aging figure of Brezhnev. The new program that referred to the "systemic and all around improvement of socialism-genuine democracy" in which power would be exercised by the people for the people was hindered by the meaningless that infiltrated the ideological dialogue of the previous congresses. Tradition had steeped deeply into the party, the long years of using inflated languages, stage-managed form and surface level discussions during congress headlined by the conservation party forces dragged these reforms down. In addition, the effectiveness of Gorbachev's Congress-introduced policies were hampered by his long-winded speeches, his southern-Russian "un-intellectual" accent, his inability to be decisive, his poor personnel choices and misinterpretation of the depths of the Soviet system's flaws and weakness to project a clear path for his reforms.

Gorbachev's indecisiveness and unclear vision for his "new Socialist democracy" meant that his policies and reforms were in fact contradictory and political dangerous to his position and the Union. They attempted to coordinate complex policies of transformation from within while actually slowing eroding the state and party power and authority from underneath, setting up the stage for the Union to crumbled in on itself later. In addition, Gorbachev promised too much, raising new political and material expectations and desires yet failing to deliver for most of them. Gorbachev was in himself, a highly conflicted man, constantly wavering between the step to full reform and protection of tradition and history of the Soviet power structure. His own power and ability to carry through reform was dependent on this very structure that he needed to change to start this process. This constant indecisiveness and wavering in the long term, alienated him from both wings. He both glorified Stalin's "revolution from above" and called it "an abuse of power." As such, his reforms disappointed the liberal and radical elements of the party, the intelligentsia eventually left the Union, disillusioned with his muddy interpretation of the Soviet democracy. The shoddy work of his reform led to doubts on his person and commitment to liberalization, opening up space encouraged by Perestroika to economic protests and nationalist and separatist movements.

The successes of his reforms were decided early on, on his ability to assert the inert Soviet economy to life again. This was however, buffeted by several events from the beginning of his tenure as general secretary. The first was an explosion at the Chernobyl nuclear power station in Ukraine on April 26, 1986. Radioactive dust spewed into the air and spread around the European continent, leading to the evacuation of 40,000 people and 300 injured or dead. The immediate effect of Chernobyl was that it undermined the credibility of the Gorbachev regime, which directly impacted his authority and power in the power to implement his reforms. In addition, it exposed the reluctance of the Soviet authorities to deal openly with problems, going directly against Gorbachev's proposals and disillusioning the public. The enormous financial burden of clean-up was fostered also on the weakening Soviet economy, detracting resources from Gorbachev's reforms.

The second was the oil crisis in the 1980s. Oil was the main export of the Soviet Union and one of the leading sources of party income. The collapse of oil prices globally forced the Union to borrow money abroad to support its flailing economy. The economy had no backup plan and still needed to become much more productive in a very short span of time while attempting to implement Gorbachev's numerous reforms. However, despite this, industrial output grew by 5.6% by 1987 and labor productivity grew by 5.2% compared to 1986. Eve, the sore spot of Soviet economy-agriculture had some minor improvement. Furthermore, Gorbachev's anti-alcohol campaign showed direct decrease in infant mortality rates, at their lowest since 1974 as well as a 24% decline in alcohol related or caused deaths and injuries. These achievements however were taken at the cost of numerous workers' strikes along with the removal of 25 million roubles of income from the legal economy to the black market. This initial upsurge in economic indicators in 1986 rapidly spiraled downward soon after.

Gorbachev served as the inspiration and catalyst that moved Perestroika from liberalization to democratization of the Soviet system. Gorbachev's aim to increased openness in the public and the media ultimately backfired. It exposed the weakness of the Soviet system to a public thirsty about truth. Gorbachev thought that these new dissidents, liberal editors and intelligentsia could help him in his efforts to reform but instead he stirred the flames for liberalization and democracy, Gorbachev could not control these new critical forces and gradually lost the liberal support that he desired. This openness was too fast and too sudden in many ways, intellectuals and journalists attacked every part of the Union, and they spewed diatribes upon the encrusted ideological orthodoxies that had been holy sacrament a year earlier. Society began to mobilize with the weakening of party control turning from a conceived notion of orderly and gradual openness and loosening of control to an incoherent, improvised and spontaneous movement towards a fuzzy notion of greater democracy and an uncertain future.

Indeed, in encouragement of the party and society to speak out, Gorbachev fostered the rise and popularity of Yeltsin among the people. By allowing the opposition free rein in accordance with Glasnost and Perestroika, the reforms allowed ultra-reformers to flourish. Yeltsin's popularity was largely due to his unabashed attacks on the leadership, their failure to carry out Perestroika, the practice of nomenklature and party stagnation. In the new political environment opened by Perestroika, Yeltsin was able to re-emerge as the opposition to conservatives and Gorbachev, with Glasnost publicizing Yeltsin's critiques in press turning him into a political martyr and rallying the people around him.

Part of Glasnost was to return power back to the people. This ultimately failed as the entrenched conservatism and nomenklatura system still reigned supreme. Gorbachev might be able to control or at the very least influence party appointments through internal promotion on the Politburo and Moscow committee side, but faced with the staggering size of the entire Union, Gorbachev could not fully implement this policy. Local and regional party committees chose well-connected officials who had history with the party or well-versed sycophants instead of those who supported Perestroika as new leaders or delegates to congresses. The congresses reveal the deep faults within society and the economy that continuously eroded away support and belief in the Soviet ideal. The cruel rural poverty, inadequacy in basic education needs, deterioration in public health and the persistent lying about achievement and statistics threw what little encouragement and hope for Glasnost and Perestroika away. This translated to a mood of growing pessimism and dissent among the people who felt great resignation from the lack of faith and trust in the system, "they don't believe in anything, least of all that things will get better." The reform from above encouraged a revolution from below.

The results of Glasnost and Perestroika were aimed to unite the people together for the goal of a new socialist democracy. But what Gorbachev failed to account for was that the permission of greater public expression and legitimized aspirations towards democracy were voiced, like wildfire they contaminated to all matters regarding the Union and could not be reined in. Democracy was interpreted as autonomy for the many ethnic nations within the Union. Tensions grew and separatists struggles for greater local and control and self-determination grew. As the Soviet past and Marxism-Leninism were questioned, people turned to nationalism as an alternative path to freedom and progress. Perestroika provided the bounds in which ethnic intelligentsia could emerge as credible leaders, advocate for reform. As people grew more disillusioned with Perestroika, reforms turned radical outright oppositions of Leninism-the new old imperial state. In an indirect way, Perestroika led to the fifteen union conflicts between ethnic minorities and the dominant nationalities in the late 1980s and heralded the creation of the "Russian Republic" for Russians. When Gorbachev loosened his hold over the non-Russians, local elites and intellectuals used nationalism to claim power in Union. As the center grew weaker, local parties reverted to the nomenklatura mechanism to promote those who aspired for an independent sovereign. Thus, the Soviet Union's disintegration can be claimed to have come from the top, with its well-meaning policies of freedom and democracy twisted into further divisions that would lead to the end of the Union.

The restructuring of the economy via Perestroika in order to rescue the stagnating economy largely failed. The economic stagnation ate away at the claims by the Party, with reforms such as the cooperatives seen as "strategic miscalculations" even by Gorbachev. Public opinion of the party was cemented, the party was a self-serving, corrupt, incompetent group of old elites who reneged on all their promises time and time again. The system was designed to serve officials and fulfil their privileges from the growing chaos and material hardships of the majority. Gorbachev as the leader of this new movement meant to change it all, was the target this approval rating falling from 80% at the end of 1989 to 56% by the end of 1990.

Economy Developments after Gorbachev

In 1987, the USSR's first shift in the direction of private ownership and profitability took place with *Perestroika*. The Law of State Enterprises passed during this year allowed firms to determine their own output levels based on consumer demand and financial forecasting. While these enterprises had to meet state quotas of their production, they were given the freedom to sell the surplus in this new business environment. The major shift in industry from the previous years was that these companies were now fully self-financing; they had to cover their own overheads and expenses through their revenues or would otherwise face a market reality of bankruptcy because there was no longer state funding. Additionally, the Law of Cooperatives allowed private ownership in manufacturing and services. Under this provision, cooperative restaurants, shops and manufacturers became a part of the Soviet economy ("Russia - The Economy - Historical Background"). *Perestroika* also eliminated the Ministry of Foreign Trade's monopoly over activity in the international economy. Aiming to eliminate the problem of disparate supply and demand between Soviet producers and foreign consumers, this reform allowed the industrial and agricultural sector and its constituent private enterprises to engage in trade. Under the terms of the Joint Venture Law, the Soviet partner supplied labor, infrastructure, and a potentially large domestic market. The foreign partner supplied capital, technology, entrepreneurial expertise, and, in many cases, products and services of world competitive quality.

However, the lasting elements of centralized power continued to provide problems for privatization. Factors such as price controls, the fluctuations of the ruble, and no ownership of private property ensured production bottlenecks remained. By 1991, the Soviet economy had declined 17 percent while retail prices were experiencing hyperinflation. Gorbachev's policy of *Glasnost* that encouraged increased openness and transparency meant that there was major public dissatisfaction with the deterioration of the consumer goods sector. Before, the problem was just about durable goods but now it was basic necessities that were in short supply (Goldman). It was the shortcomings of Gorbachev's reign that facilitated such economic decline and the 1991 coup against his regime. However, the groundwork had been laid for a potential market economy that Boris Yeltsin's government capitalized on.

The Yeltsin Economic Program and Westernization

Following the coup of August 1991 against Gorbachev, Boris Yeltsin and his advisors faced a two-dimensional task. First, rational fiscal and monetary policies had to be implemented in order to ensure stable prices for Soviet industries within the economy. Next, modern commercial institutions like banks, private property and business legal codes had to be established to ensure efficiency. In light of these observations, the Yeltsin administration set out a program of radical reform in October 1991, two months before the dismantling of the Soviet Union.

The basis of the program was to address macroeconomic issues through a sharp reduction in government spending while increasing public investment projects and subsidies to consumers and producers. Price controls were lifted on 90 percent of consumer goods and 80 percent of intermediate goods ("Transition to a Market Economy"). The price levels of energy and staples such as bread, sugar, vodka, and dairy goods were controlled in order to stabilize the elasticity of supply and demand in the respective markets. Key fiscal measures were introduced in the form of progressive taxation that encouraged privatized firms to invest in the soviet economy. Others included fixed exchange rates for the ruble to ensure that its value was maintained when compared to foreign currencies.

With respect to the monetary restructuring of Russian industry, there was great difficulty stabilizing levels of inflation because of the decontrolling of prices taking place at such a high magnitude. Yeltsin's economic division gave in to the major demand for credit and subsidies from the large private enterprises within the agricultural sector but gradually began to tighten monetary purse strings and this stabilized price levels between 1994 and 1996.

The essence of Yeltsin's industrial restructuring was its focus on privatization. Between 1992 and 1995, the deputy prime minister of economic policy Anatoly Chubais sanctioned the privatization of 85% of Russian small business as well as government owned firms in excess of 80,000. By the end of this period, more than one-third of Russian enterprises were now in the hands of private entities. The expansion of the money supply to correlate to such change came from the sale of state-held shares of these enterprises in exchange for cash deposits. This loans-for-shares type of transaction characterized the second phase of privatization; banks provided the government badly needed cash based on the collateral of enterprise shares that banks presumably would be able to sell later (Shleifer).

However, there were expected political and social frictions against such activity, where the general public voiced their opposition to the supposed process of *prikhvatizatsiya,* translating to "grabification" because of the belief that the new leadership of these enterprises had insider connections with the government. The 1990s also saw the rise of organized crime and businesses that prospered under mafia protection. Such favoritism and corruption led to the disparate transfer of capital between nonstate Russians and the economy of 1996 was now characterized by a new class of private entrepreneurs.

By mid-1996, the Russian economy experienced a period of depression. This could be explained by the fact that the nation was undergoing a major economic transition. Some historians however note that the decline came mostly from sectors given priority such as military and heavy industries ("Insider's Account"). Present day economists have pointed out that figures during this period failed to account for the emergence of the new private services sector, which actually accounted for half of the GDP by 1995 ("Compare Economic"). Another result of modernized Russia was the creation of "shuttle trading," the sale and transport of goods by individual entrepreneurs in order to undercut the prices of consumer products on the open market. This fostered competition in the Russian textile industry.

Another key contributor to the distribution of economic power within Russian was the mayor of Moscow, Yuriy Luzhkov, who consistently developed the infrastructure and public utilities of the city. As a result, Yeltsin placed faith in Luzhkov's independent attempts at privatization and gave him full control of state property in 1994. From this moment onward, state enterprises in Moscow were privatized a rate of over $1 billion a year, higher than it had ever been for the entire nation during this process. Luzhkov's camp was able to consolidate their stake in major institutions like commercial banks, which facilitated large scale cash flows from foreign direct investment (FDI) into Moscow ("Compare Economic").

With the rise of disarmament, demand in the defense sector declined and was replaced by a growing interest in the production of consumer goods. By the end of 1996, Russia's economy was more sided toward a market structure than its previous centralized form.

Character and Country Profiles

Russian Cabinet

Mikhail Gorbachev

Mikhail Gorbachev served as the General Secretary of the Communist Party of the Soviet Union, doing so from 1985 to 1991, and was the Russian head-of-state from 1988 until 1991 when the Soviet Union was dissolved. During his tenure, he significantly reformed the Soviet Union and introduced perestroika, glasnost, demokratizatsiya, gospriyomka, and uskoreniye, all of which were fundamental innovations that though primarily aimed at reforming a stagnated Party and boosting a downtrodden state economy, in the end led to dramatic and unheralded societal and governmental changes in Russia.

The Brezhnev years had left the Soviet economy in dire straits, and Gorbachev decided that a program of reform was needed to escape from the economic doldrums. Perestroika was a new policy that was initially unveiled at the XXVIIth Party Congress in 1986, and consisted of a reconstruction or restructuring of the economy. Glasnost was equally vital as it called for openness and transparency of the Soviet government, and helped to shake-up the status quo. Demokratizatsiya was also a dramatic departure from the past as it called for infusing aspects of democracy into the Russian system. Gospriyomka provided a means to focus on and increase quality of production and get the government to overcome its traditional lack of quality, while uskoreniye consisted of accelerating economic development.

Gorbachev had come from a relatively poor family, suffered like many during the Soviet famine of the early 1930's, and had himself worked operating combine harvesters on collective farms in his youth. His ultimate rise into the top tier of the Soviet government was driven by his efforts in the Communist Party of the Soviet Union (CPSU). It would have been unfathomable to imagine that he would someday have led to the seemingly impossible task of introducing such innovations into the existing system and causing it to essentially implode from within. His efforts, which not only led to the dissolution of the Soviet Union, but also contributed mightily to the end of the Cold War, and later led the awarding of the Nobel Peace Prize to him in 1990.

Boris Yeltsin

Boris Yeltsin was the first President of the Russian Federation, serving from 1991 to 1999, and a political figure that rose to popularity and later fell out of favor of the populace. During his tenure, he sought to transform the Russian economy into a capitalist market, and though this seemed like a good idea to pursue, it turned out that his actions produced severe adverse consequences, most notably that much of the property and wealth of the nation landed into a handful of oligarchs. These oligarchs then took advantage of the situation and became viewed as the equivalent of robber barons. Corruption was rampant, inflation soared, and the Russian economy veered into collapse.

When Yeltsin had first risen in popularity, he had been seen as an anti-establishment maverick or rebel that would potentially overturn the old ways, and possibly lead Russia along a path of great prosperity and new freedoms.

His gross mismanagement of these ideals ultimately led to efforts to remove him from office. This in turn made him veer even further backward as he then clamped down on freedoms, including the banning of political opposition and even the scraping of the Russian constitution. In the end, he stepped down, resigning from his presidency. However, in a last gasp of his desire to continue his presence and influence, he put in place his desired successor, Vladimir Putin, hoping that doing so would to some degree carry forward his legacy and ideals.

Vladimir Potanin

Vladimir Potanin is a former Russian governmental official and banker that became a billionaire, gaining his wealth by exploiting economic reforms in Russia during the time that the country was transitioning from a governmental planned economy to a market-based economy.

A beneficiary of Yeltsin's reform efforts, Potanin was one of the business oligarchs that leveraged the loans-for-shares program, as part of the open sale of state-owned assets in Russia. The loans-for-shares program involved the state selling off industrial assets, doing so via rigged auctions lacking competition, and for which the loans were not returned in time. In essence, Potanin was able to get billions of dollars of Russian government assets for a fraction of their worth.

Potanin exploited to his own personal advantage the idealized goals of privatization in Russia. While working earlier in his career at the Ministry of Foreign Trade, he was able to realize that the upcoming reforms in Russia could be advantageous to his own wealth. Today, in spite of his robber baron like efforts, he nonetheless has also sought to make some improvements in Russia, such as introducing higher standards of corporate governance into Russian firms. This though is not necessarily an altruistic cause per se, since by boosting the appeal of Russian companies, he can get added investors from abroad for his businesses and likely increase the perceived value of his businesses to potential future buyers.

Vitaly Makin

Vitaly Malkin is a controversial figure that gained billions from Russian reforms by his efforts as a business oligarch. He was one of the co-founders of Rossisskii Kredit, a Russian bank that eventually became the third largest in all of Russia. Allegations of corruption have dogged him. He also had hidden the fact that he was both a Russian national and an Israel national, leading him to resign from Federation Council of the east Siberian republic of Buryatia.

Allegations against him are that he has been a money launderer, aided international arms trades with organized crime, and otherwise used his wealth for improper activities. His close ties to Boris Yeltsin, and his power and prestige in Russia make him a formidable force in the Russian economy.

Mikhail Fridman

Mikhail Fridman is a Russian billionaire that began his career by starting up a window cleaning service with some of his friends in college. He later leveraged his entrepreneurial talents by founding a company called the Alfa Group. Growing the Alfa Group, it eventually became one of the largest privately held investment groups in Russia. Currently, the Alfa Group controls Russia's largest private bank, Alfa-Bank.

Besides his efforts within Russia, Fridman also found a firm called LetterOne Group which is located in Luxembourg. This firm owns many businesses in the technology realm, and in the energy industry and in telecommunications.

Active religiously, he was one of the founders of the Russian Jewish Congress, and in collaboration with other Russian Jewish billionaires, he has contributed toward the development of Jewish identify among Jews around the world. He is considered one of the leaders of the New Europe, as so touted by the publication *Financial Times*.

Mikhail Khodorkovsky

Mikhail Khodorkovsky is a wealthy Russian oligarch that became a Russian exile and currently is based in Switzerland. Having started his businesses during the glasnost and perestroika period of Russia, he was able to amass his money by the loans-for-shares program and obtain control over vast fields of Siberian oil. The firm, Yukos, Khodorkovsky was able to get for a fraction of the worth of the company and its assets. Vladimir Putin's government ended-up freezing the shares of Yukos, claiming that there were acts of fraud and also tax dodging by Khodorkovsky, which then led to Khodorkovsky's wealth dropping from the many billions of dollars into the hundreds of millions of dollars. In 2005, Khodorkovsky was sentenced to nine years in prison, though ultimately Putin pardoned him, doing so in 2013.

Throughout the period of his being tried and then sentenced, Khodorkovsky asserted that the entire effort was politically motivated. He even filed applications with the European Court of Human Rights, hoping to seek redress for what he considered were violations of his human rights. The European Court did not end-up ruling that his trial was politically motivated, but, Amnesty International did list him as a prisoner of conscience. Now living in exile, his net worth is not fully known, but estimated to be in the hundreds of millions of dollars.

Boris Berezovsky

Boris Berezovsky was one of the seven powerful Russian businessmen, infamously known as the oligarchs, who became immensely wealthy during the wholesale privatization of Soviet assets which was carried out following the rise of Mikhail Gorbachev to power. The transformation of Berezovsky from a Soviet mathematics professor and systems analyst to a multibillionaire in little less than a decade is heralded as one of the most extraordinary and revealing stories of the post-Communist era. (“Rich In Russia”)

During Berezovsky’s employment at the Academy of Science he worked as a consultant for Avtovaz, a public Soviet enterprise that produced automobiles for the Soviet market. Using the contacts he had developed during his career at Avtovaz, “Berezovsky set up Logovaz, the USSR’s first capitalist car dealership”("Boris Berezovsky" para. 3). Logovaz soon evolved into a mammoth business conglomerate. Berezovsky expanded his political power in the early-1990s by “diligently cultivating friendships with Boris Yeltsin and his influential daughter” (“Russian Entrepreneur”). The crumbling of state control over the economy enabled Berezovsky to expand his empire. Using his profits from Logovaz, Berezovsky turned to the oil and banking industry. By the end of 1993 he had acquired a share of ORT, the state's largest television network, and bought the profitable Sibneft oil company. Later, he even came to acquire Russian airline company Aeroflot and a majority of Russia's aluminum industry (“Russian Entrepreneur”).

Berezovsky’s success was due in large part to the economic liberalization launched by Gorbachev that legalized private enterprise and began liberalization ("Boris Berezovsky"). Businessmen like Berezovsky could also exploit the gap between the state-controlled prices and the reigning prices of free markets. By the end of the process of liberalization, Berezovsky and his oligarch colleagues owned well over half of Russia’s entire GDP.

Anatoly Chubais

Anatoly Chubais was a prominent Soviet economist and politician who began gaining influence during his employment as an assistant professor at the Leningrad Institute of Engineering and Economics. His political campaign of reformation began with his creation of several small liberal organizations at the Leningrad Institute. His aim in creating these associations was to provide a common forum for people who shared a conviction for free market policies ("Anatoly Chubais").

The political situation in Russia in the 1980s was tense because the policy of Glasnost brought many topics of discussion into the open, specifically, the future of the Soviet Union's economy. It is in this atmosphere of growing openness and political discussion that Chubais, along with a cohort of liberal reformists, began arguing that a planned economy had inherent problems that would lead to its inevitable collapse. He believed that the Soviet economy could never fully satisfy consumer demand.

Chubais' appointment as the Deputy to the Chairman of the Leningrad City Council marks the beginning of his open campaign for free market economy and capitalism. He rose through the political ranks, eventually securing his appointment as the Director of the State Committee for Managing State Property. Chubais' reforms were popularly dubbed "shock therapy" because they promoted a very rapid program of privatization of public enterprises. He also instituted a variety of reforms in order to ingrain market capitalism into the Soviet economy. He organized the "loans-for-shares" privatizations which enabled the oligarchs to grow enormously wealthy while most of the nation was suffering mass poverty. In order to prevent foreigners and local crime syndicates from monopolizing the wealth of the country, Chubais opposed the idea that the highest bidder should be able to purchase large shares of state assets ("Anatoly Chubais"). Chubais favored a system where each Russian citizen was given a share in state enterprises. This share was supposed to be denoted by vouchers which could then be sold or transferred by the holder of the voucher. This system enabled the oligarchs to buy vast numbers of these vouchers for cheap prices.

In 1992 he was appointed as the first Deputy Prime Minister with the departments of economy and finance under his direct control. Again, Chubais skillfully used his position to actively promote and enforce privatization projects.

Vladimir Gusinksy

Vladimir Gusinksy was unique among the oligarchs because not only did he emerge from the underground economy but also because a majority of his wealth came from the media sector. Gusinksy, unlike the other oligarchs, did not make his wealth from taking over state enterprises during the era of liberalization. Although Gusinksy started his business by engaging in black market trading and it seemed that he wouldn't be able to expand into legitimate trade, he was able to develop close ties with influential people in the Communist Party. The main reason for this was that Gusinksy took an active role in organizing events for the Communist Youth League. Gusinksy was able to take advantage of the emerging support for economic liberalization by firmly establishing himself in private businesses. In cooperation with an American partner, Gusinksy set up a consulting company that facilitated joint ventures between Soviet and Western firms ("The Russian Oligarchs of the 1990's").

Gusinsky's crown jewel was MOST, a consulting firm for foreign investors in Russia. As a result of Gusinsky's close friendship with the mayor of Moscow, Yuri Luzhkov, Gusinsky's MOST Bank became a very important institution among influential business houses in Moscow. MOST soon emerged as one of the strongest commercial banking groups in the country. In 1993, it began to handle the financial accounts of the Moscow city government. As a result of the mutually beneficial friendship between Gusinksy and Luzhkov, MOST acquired some of the most profitable development plots in Moscow's booming real-estate market with the help of Luzhkov's administration ("The Russian Oligarchs of the 1990's").

Using his profits from enterprises such as MOST, Gusinksy began creating the foundation for a vast media empire. In 1992 Gusinksy founded the newspaper *Segodnya* and the independent television channel NTV. Soon after, he expanded into radio by acquiring the Ekho Moskvy radio station. The launching of a weekly political magazine *Itogi* culminated his monopolization of the media and entertainment sector of Russia.

Grigory Yavlinsky

Grigory Yavlinsky, a Russian economist and politician of Ukrainian origin, is best known as being the author of the '500 Days Programme', a plan for the rapid and smooth transition of the USSR to a free-market economy. Yavlinsky is also popular for his leadership of the social-liberal Yabloko party ("Commanding Heights").

In order to understand the rise of Yavlinsky to prominence we must first understand the failure of Gorbachev's plan of Perestroika. The program of economic reforms was founded on the notion that the basic economic structure of the U.S.S.R. was sound and therefore only minor reforms were needed. However, after two years Gorbachev changed his policy and came to the conclusion that deeper structural changes were necessary. The result was the introduction of a semi-mixed economy. The reforms introduced by Gorbachev were often contradictory to one another and the confusion created by Perestroika brought economic chaos to the country. Gorbachev's radical economists, headed by Grigory Yavlinsky, now assumed a crucial role.

Yavlinsky counseled Gorbachev that if the aim was to emulate the success of the economies of Western powers, then the only remedy was the introduction of a true market economy. Yavlinsky believed in the power of incentives and that only a true capitalist economy would provide the Russian people with incentive to produce and to boost their own economy. He authored the radical 500 days programme which would establish a system of incentives for the working class and would smoothen the transition from a communist to a capitalist economy.

In August 1990, a report titled "Transition to the Market", based on the earlier "400 Days Project", was issued by Yavlinsky. This report became known colloquially as the "500 Days Program" as it intended to lay the framework for a modern market economy in 500 days. The program established that a capitalist economy would be introduced in Russia and the pillars of the new economy would be large scale privatization, open economy that would trade globally and integration into the world economy. Other reforms included the transfer of power from the Union government to the Republics. The report also curbed the powers of the government. The government could no longer interfere in the determination of the prices of commodities and attempt to regulate the economy. The 500 Days Program was supported by both Mikhail Gorbachev and Boris Yeltsin.

Valentin Pavlov

Valentin Pavlov was a Soviet official who left government service in order to take advantage of the economic changes being introduced. He became a Russian banker following the dissolution of the Soviet Union and consolidated a majority of his wealth through the banking sector.

Pavlov was infamous for his political and diplomatic skills. His political career began in the Ministry of Finance in 1959. With some skillful maneuvering, Pavlov rose to the position of the head of the financial department of the State Planning Committee ("Valentin Pavlov"). In the following years, not only did Pavlov secure his promotion to the post of Chairman of the State Committee on Prices but also began cementing his ties with the Communist Party. Pavlov was appointed as the Minister of Finance in Nikolai Ryzhkov's government. During his tenure as Minister of Finance, Pavlov made determined efforts to implement price reforms but his policies were unsuccessful and contributed to inflation and instability of the economy. Following his departure from government service, Pavlov became Chairman of Chasprom Bank. Although Pavlov was not in favor of full marketization, he believed that the Soviet Union was more oppressive towards workers than the most advanced capitalist countries and there was an overwhelming need for large scale structural reforms.

Vladimir Putin

Vladimir Putin, after graduating from Leningrad State University in 1975, began his career in the KGB as an intelligence officer. Stationed primarily in East Germany, he held that position until 1989. The transfer of Putin to East Germany coincided with the introduction of social and economic reforms by the Gorbachev administration. Putin was a firm supporter of the vision of the new Soviet economy and the structural changes that would set the Soviet Union on the path of a capitalist economy. But he was sharply critical of the manner in which the reforms were being carried out by Gorbachev (Gaddy para 2). Putin was in favor of a more deliberate and controlled loosening of power by the government. He believed that the government should aid the transition of the economy rather than just standing aside.

Following the collapse of the Soviet Union in 1991, Putin retired from the KGB and returned to Leningrad. He began supporting a liberal politician Anatoly Sobchak who shared the Putin's convictions about the deliberate loosening of Soviet control. Sobchak, who won elections to the office of the Mayor of Leningrad in 1991, rewarded Putin for his support by appointing him as the Head of External Relations. Putin's economic stance is demonstrated by the fact that he helped the construction of highways, telecommunications networks and hotels as a bid to support and attract foreign investment. He believed that without the necessary infrastructure, Russia would not be able to attract foreign capital flows and boost its economy.

Western Trade Cabinet

Sweden

Swedish Communism was a "middle road" focused on non-military deficit spending, establishing greater social equality through laws and taxes and guaranteeing social protection and benefits. The success of the modern-day Swedish economy was built on the economic crisis Sweden experienced during the 1970s to the late 1980s. The Swedish economy was a small export based economy, the oil crisis of 1973-74 and the consequent contractions in international trade affectedly Sweden negatively, this coupled with increasing competition, high inflation and high taxes caused almost two decades of weak economic growth, contracting GDP and employment rates causing a severe economic crisis.

The government turned to a variety of solutions, from subsidies to market deregulation and devaluations of the Krona that worsened its economic problems. The government implemented a succession of austerity measures and structural reforms that separated the central bank from the government. The central bank was tasked with maintaining a low and stable inflation rate, a debt ceiling for government expenditure. This ensured entrance into the European Union in 1995, which brought upon another round of efficiency measures with stricter competition regulations. These measures stabilised the economy and paved the path for a rapid recovery in output production and export levels. The current economy is still highly export orientated, its main exports being paper, iron and steel with rising service exports of knowledge and IT.

Sweden has a long history of trade with Russia. Currently 400 companies are engaged in significant trade with Russia, with an eleven-fold increase in trade from 1998 to 2011. However, from 2012 onwards Swedish exports and imports from/to Russia declined by 14% to 23.7 billion USD and 4.7% to 61.7 billion USD respectively and a further 23% decrease in 2013. Regardless, Russia is Sweden's 13th biggest export market and 7th biggest import market. Major exports are automobiles, telecommunication equipment and chemicals. Major imports from Russia are raw materials, especially crude oil and raw metals.

The current situation in Russia as well as the EU stance and actions towards Russia-sanctions, embargoes and the threat of escalation has cooled trade relations slightly between Sweden and Russia. Half of Swedish exports to Russia are automobiles which is the greatest matter of concern to Swedish business which could cease if Russia decides to take new countermeasures-import bans in response to sanctions. With regards to imports, the current trade conflict has not affected trade directly. There has been however, indirect consequences towards German industries which are crucial customer base of major Swedish companies that have been hit hard. The unpredictability of the conflict cause high uncertainty for crucial goods and services-energy, oil, gas, as well future investment and sales projections.

Finland

The first communist parties were formed in Finland starting a "revolution from without". It was a constitutional anomaly within the Russian empire and later this continued to the USSR-a distinct country with its own army, legal system, currency and taxation separate from the rest of the Union. It however was able to maintain an independent parliamentary democracy with a capitalist system that had a foreign policy carefully tailored and tailored to the interests and desires of the Soviet Union. This position of formal independence and sovereignty with full autonomy in domestic policy but non-antagonistic foreign policy was known as “Finlandisation”.

Finlandisation entailed both participation in Western trade liberalization and bilateral trade with the Soviet Union required careful balancing of foreign policy, but also enhanced the welfare of the population. Finland has been a member of the European Union since 1995. Main exports to Russia consist of natural resources such as timber, metal products, chemicals and wood products. Due to the natural scarcity of water, coal, oil and minerals, Finland imports these resources from neighbouring resource rich countries-mainly from Russia as well as foods, metal products and textiles. Like Sweden, the 1970s to 1990s were characterised with slowed economic growth from the oil crisis. With the fall of Soviet trade, the Western European recession in the early 1990s, Finland entered into the worst recession since the 1930s, with GDP falling by 10% and unemployment rising to 18%. The economy was only revived with the rise in Finnish electronics, turning Finland into the largest single manufacturing industry with 25% of the world share. Connected to this was the rise in Finnish R&D and paper.

Patterns in foreign trade have been steadily changing as exports have been geared towards the rising Asian economies with steady decreases and fluctuations in Russian trade. Trade with Russia is now gradually gaining ground again from the low point of the early 1990s, and had risen to approximately 10%. Russia is one of Finland’s biggest trading partners.

Switzerland

Switzerland has a long tradition of openness to the world but jealously guards its independence and neutrality. It did not join the United Nations until 2002, and two referenda on membership in the European Union have failed by wide margins. Membership in the European Economic Area was rejected by referendum in 1992. Switzerland is one of the world’s richest and most investment-friendly countries. It has a well-developed financial services industry. In addition to banking, the economy relies heavily on precision manufacturing, metals, pharmaceuticals, chemicals, and electronics. Switzerland has a 0 percent average tariff rate and is a member of the European Free Trade Association. Agricultural subsidies are significant. Foreign and domestic investments are generally treated equally.

Switzerland as a non-EU member shares many interests with Russia, particularly of note is Switzerland's initiative to represent Russian interests in Georgia and Georgian interests in Russia after diplomatic relations were broken after 2009. As a non-EU member, it has chosen not to follow EU and US sanctions against Russia. Taking its traditional neutral stance, it has chosen to ban military equipment export to both Russia and Ukraine. This move has been highly controversial, given the large financial gains to Swiss banks for not choosing to follow with sanctions. Trade has risen, with more Russian imports of Swiss foodstuffs, particularly of cheese. Trade between the two countries has been largely facilitated by business organisations on both sides-The Swiss & Russian Business Hub, both affiliated with their respective embassies abroad. According to the Joint Chamber of Commerce of Switzerland-Russia, in 2013, Switzerland exported goods to Russia to the value of roughly CHF 3 billion, accounting for 2% of its exports; it imported goods from Russia to the value of about CHF 1 billion. In 2012, Switzerland was the 12th largest foreign investor in Russia with CHF 12.5 billion in direct investments. There is now an estimated $15bn (£9bn) of Russian assets invested in Swiss banks. Moreover, 75% of Russian oil and 66% of Russian grain is traded through the city of Geneva, a global hub for commodities.

France

The French economy, largely in ruins in the post-WWII decade, is hailed as one of the success stories of the European Economic Community (EEC), which would later come to be known as the European Union.

After large amounts of money were funneled into the French economy in the form of American aid under the Marshall Plan in 1945, the French economy began its slow process of recovery from war devastation. France underwent a process of large scale nationalization of main economic sectors and entities under the infamous Monnet Plan which also laid out targets for the newly nationalized firms and sectors. But it was ultimately entry into and decisive leadership of the EEC that boosted the French economy and put it back on its feet. Due to the Algerian War of Independence and flaring up tensions in the Middle East, industrial output slowed down again in the 1950s and 1960s; France also suffered rising rates of inflation. The French government was once again made aware that the EEC could potentially be used as a tool to bolster the recovery of the economy. Along with Germany, France began to dominate the EEC again. The government also became aware of the need to expand infrastructure and telecommunications. For this purpose, it implemented “large-scale economic projects in the fields of high-tech aeronautics, information technology, and telecommunications”(pbs.org). The Planning Commission was able to successfully bring about a boom in the agricultural sector which contributed to the overall recovery of the French economy. The French government relentlessly sought protectionist policies in the EEC as a means of sustaining its unprecedented agricultural growth.

Unfortunately, this growth did not last and France entered another period of economic decline and recession in 1975. President d'Estaing introduced “unpopular austerity measures”(pbs.org) to control inflation and the rising rate of unemployment. The government also imposed radical reform measures including nationalizing banks, manufacturing industries and armament factories. But these measures are unable to solve the financial crisis as the government drained its finances by stretching itself too thin. The worsening of the economic situation forced leaders to confront that a radical change in economic policy was the need of the hour. The government discarded its previous policies of protectionism, uncontrolled public spending and nationalization in favor of a policy of laissez-faire and program of deregulation and liberalization. French leaders now believed that France must completely immerse itself in the Single Market and actively participate in the measures of the EEC that aim to remove trade restrictions such as quotas and tariffs as a way to make French companies more competitive on the world market. Hence, the French economy represents a model of Western European powers that transformed itself from a capitalist economy with socialist practices to a wholly capitalist economy run by free market competition. It used its position of dominance in the EU to benefit its economic growth on multiple occasions.

France and Russia have an ongoing and constant relation as trade partners which was developed under the framework of the EU in 1997 and reached its peak in 2008. However, trade before 1997 was fairly negligible. France's exports to Russia were dominated by agricultural products and manufactured goods such as machinery and transport equipment (Ec.Europa.eu) and Russia's primary export to France was crude oil and gas.

Germany

The economy of West Germany was created by the merger of the individual zones of the French, British and Americans powers to create a united economic entity for West Germany in 1948. The Western powers were instrumental in rejuvenating the economy of the newly formed state. They instituted measures such as ending price controls and putting a new currency in place. This was done not only to create an ally and trade partner but also to impress upon West German leaders that the nation would be a part of the capitalist bloc and would consequently participate in western economic alliances such as the EU. The European Coal and Steel Community (ECSC), the precursor to the EEC, was formed by French Foreign Minister Robert Schuman in the hopes that this organization would reduce the effects of war devastation in Europe, improve relations between France and Germany and place West Germany firmly in the cohort of European nations. Due to its membership of the ECSC and the EEC, West Germany was required to reduce duties and restrictions on trade, promote its economic relations with Western European nations and integrate with other economies.

The introduction of the Exchange Rate Mechanism (ERM), an attempt to link the currencies of the member countries, increased the interconnectedness and dependency of West Germany on other European countries. While West Germany was able to benefit from increased trade and higher levels of production, it was also increasingly vulnerable to fluctuations in its economy due to external forces. However, West Germany was not weakened by a recession for over 6 decades. Taking thorough advantage of its membership of the EEC, West Germany was able to become one of the most efficient nations of Europe (Lowe). The impressive increase in production levels and the overall improvement in the West German economy has been hailed as the "German Economic Miracle" (Gethard).

West Germany served as an experimental arena for capitalism and western ideals. It also became part of the atmosphere of the Cold War due to tensions with East Germany. "Side by side, these two nations offered a perfect way to compare the two major economic systems in the world" (Gethard). The two nations were often at loggerheads as representations of two competitive economic ideologies and this explains why there was no trade between them. Since East Germany was firmly allied with the Soviet Union and the prosperity of West Germany was in marked contrast to the poverty of East Germany, the USSR would not trade with West Germany. Since West Germany was highly dependent on Western European countries, it had no trade relations with the USSR. This can be explained by the sharp division of Europe into the two opposing camps- the Western camp and the Soviet camp.

United Kingdom

In the post WWII decade, Britain took the lead in improving economic relations between USA, its principal ally, and Western European nations. Britain was responsible for the European Recovery Programme (ERP) that organized 16 European nations into a united group and tasked them with formulating a joint plan to divide and efficiently use American aid given to Europe through the Marshall Plan. It was believed that because of Britain's leadership position as one of the strongest economic and political powers of Europe it would inevitably dominate a European organization. But these hopes did not come to fruition because Britain decided it did not want to compromise its sovereignty and ability to make decisions regarding its own economy by joining organizations such as the European Coal and Steel Community or the European Economic Community. In the early stages of the EU, Britain stood aside and did not partake in the formation of a closer economic union of West Europe because it wanted to develop independently.

Alarmed by the stagnation of its own economy, Britain attempted to emulate the success of the EEC by or organizing another rival group, based on the same principles, called the European Free Trade Association (EFTA). Britain was in favor of joining such an organization because the EFTA would not interfere with the internal affairs of its members or attempt to create a common policy among its members. However, the EFTA was not as successful as the ECSC or EEC and this convinced British leaders of the necessity of reversing their policy towards the EU. In 1961, British Prime Minister Harold Macmillan announced that the British were eager to join the EEC and to reform its economy in order to gain membership (Lowe).

Britain's membership of the EEC remains a point of contention between Britain and France because France vetoed the entry of Britain into the EEC. France wanted to continue dominating the EEC and it felt that its influence would be diluted if the British were allowed to gain membership. However, after a great deal of negotiations and bargaining on the part of British leader Edward Heath Britain was allowed to enter the EEC in 1973. Britain was in a tenuous position: it had to strike a balance between its close relation with USA and its increasing involvement in European integration. It also had to navigate its economic relations with the countries of the Commonwealth and ensure that its new membership of the EEC did not affect its trade with Commonwealth countries. Britain was a major leader in increasing the influence of the EEC while simultaneously preventing the EEC from gaining control over Britain's internal policies (Lowe).

UK and France share a similar trading relation with the USSR. Trade between UK and USSR began under the framework of the EU in the year 1997. During the height of the Cold War, UK did not have any trade relations with the USSR because it was the principal ally of USA and firmly located in the American camp. But after the initiation of trade relations between UK and Russia, there was a steady escalation of trading between them (BBC).

Belgium

With a population of approximately 11.2 million, Belgium's GDP per capita in EUR is 35,878 (as of EOY 2014 figures). Having an unemployment rate of 8.5%, the country is considered relatively stable economically by the EU's Pact of Stability and Growth, though the EC has asked Belgium to reduce its debt-to-GDP ratio and seek to achieve a national balanced budget by the year 2018. An internal effort is underway to implement significant tax reforms and also reduce governmental labor costs and overhead.

Historically, Belgium was one of the first countries in Europe to undergo the industrial revolution. Lacking any particular natural resources to use for large-scale exports, the country has relied on traditional industrial sectors such as chemicals, food processing, pharmaceuticals, automobiles, and machinery fabrication. With exports amounting to two-thirds of their GNP, Belgium leverages its highly skilled and multilingual workforce, and was a founding member of the European Community. Belgium continues to advocate strongly for further integration of the European economies.

Having relatively positive trade relations with Russia, Belgium's trade with Russia is modest and not within even the top 5 of Belgium's export partners (of which Germany and France are dominant) and nor import partners (of which the Netherlands and Germany are dominant). Relations between Belgium and Russia date back to the 1700's when Peter the Great first established such relations. Russian exports to Belgium tend to consist of industrial equipment, plastic products, rubber, and food. In addition, Belgium obtains nearly a third of its oil and natural gas from Russia, and so is reliant on those particular inputs significantly from Russia.

Italy

With a population of approximately 60 million and having the world's 9th biggest economy, Italy has a GDP per capita of about EUR 26,964 (as of 2014 EOY figures). Currently under scrutiny by the EC, there have been demands for the country to adopt key structural reforms, doing so in the face of political instability and economic stagnation in Italy. Partially exacerbated by an ongoing migrant crisis, the government is going to undertake a major rescue effort to keep its four regional banks solvent. It is likely that Italy will need to add incentives for firms and employers in order to keep the economy going, and will need to consider sizable tax cuts to further encourage private enterprise growth.

The private sector primarily relies on manufacturing in high-quality goods and is run by small and medium sized family-owned firms. Throughout the 2000's, the country only grew by about 1.2% and has been sluggish economically. There does not seem to be a clear cut path toward economic recovery and the fragile Italian economy continues to resist getting in gear. Initially, after World War II, the country had miraculously transformed from an agriculturally based country to a powerhouse industrialized nation, but has since been oscillating up and down economically.

Due to trade restrictions imposed on Russia, the trading volume between Russia and Italy dropped by about one-tenth during 2014 and then another 25% in 2015. Italy is significantly dependent upon oil imports, including and especially from Russia. An international debtor in the last decade, the level of Italian government debt remains worrisome throughout the Eurozone. Lacking vital natural resources, Italy is the world's 11th largest importer of goods. Italy primary export to the global market is their highly prized luxury goods.

Netherlands

Having a population of nearly 17 million and the 18th largest economy in the world, the Netherlands has a GDP per capita of EUR 38,862. Exhibiting a modest and steady growth rate, the economy has been on a relative stable footing. But, economists warn that slowdowns in global trade and other competing markets might inhibit the Netherlands anticipated growth. Housing some of the world's biggest companies, such as Shell and Unilever, and banking firms such as ING Group and ABN AMRO, the country trades primarily with Germany and Belgium.

As one of the richest nations in the world, the average economic growth during the 1990s and early 2000s was an impressive 4% and well exceeded the European average growth rate. Their economy is considered an open one, and relies heavily on world trade. It is known for its crucial European port in Rotterdam, and maintains in Amsterdam one of the largest airports in all of Europe.

Know for their "tulips-for-oil" trade relationship, shipments of flowers to Russia from Netherland have been gradually slowing down, partially due to the Russian economic woes and the suffering middle class in Russia. Meanwhile, Russian exports to the Netherlands occurred at an ongoing pace and totaled about 29 billion euros last year, most of it consisting of petrochemicals that came into the Netherlands via the Rotterdam port. Besides selling Russia flowers, a sizable portion of the 8 billion euros worth of trade to Russia also consisted of agricultural equipment and machinery, along with meat. Relations between the two countries have declined after the downing of the Malaysia Airlines Flight that included the loss of 193 Netherland citizens

Spain

Spain has the fourteenth-largest economy by nominal GDP in the world – and the sixteenth largest by purchasing power parity. In 2012, Spain was the twelfth-largest exporter in the world and the sixteenth-largest importer. World Bank lists Spain 23rd in UN Human Development Index and 30th in GDP per capita. In 2012, the Spanish economy contracted by 1.4% and was in recession until Q3 of 2013.

Spain and the Soviet Union signed an agreement on foreign trade in 1972 and established permanent trading missions in 1973. Soviet Union and Spain reestablished full diplomatic relations on February 9, 1977. Relations of this period were not completely friendly as alleged spy activity created tension—which got worse when Spain was admitted into NATO in 1981.

Austria

Austria is one of the 11 richest countries in the world in terms of GDP. Until the 1980s, many of Austria's largest industry firms were nationalized—however, recently, privatization has reduced state holdings to a level comparable to other European economies. Labour movements are particularly strong in Austria and have large influence on labour politics. Next to a highly developed industry, international tourism is the most important part of the national economy.

After the war, Austria was occupied by the allied armies, separated from Germany, and divided into four zones of occupation. The Soviets did not create a separate socialist government in their zones as they did in East Germany. Instead, Austria was required to sign the Austrian State Treaty of 1955, under which it pledged total neutrality in the growing Cold War. As a result, trade between the Soviet Union and Austria was largely stagnant, as economic inclination towards either side would be perceived as non-neutrality.

Norway

Norway's economy is a developed mixed economy with state-ownership in strategic areas. This economy has shown robust growth since the start of the industrial era. Shipping has long been a support of Norway's export sector, but much of its growth has been fueled by an abundance of natural resources, including petroleum exploration and production, hydroelectric power, and fisheries. Agriculture and traditional heavy manufacturing have suffered relative decline compared to services and oil-related industries, and the public sector is among the largest in the world as a percentage of the overall gross domestic product. The country has a very high standard of living compared with other European countries, and a strongly integrated welfare system. Norway's modern manufacturing and welfare system rely on a financial reserve produced by exploitation of natural resources, particularly North Sea oil.

The dissolution of the Soviet Union in 1991 caused the Norway–Soviet Union border to become the Norway–Russia border. This resulted in a more liberal border crossing policy, which saw the number of crossings increase to 80,000 by 1992. For Norwegian authorities this meant that police and customs authorities would have to be regularly stationed at the border. A large amount of the initial traffic was from Russians who sold crafts and souvenirs at markets and fairs throughout Finnmark. From 1992 Norwegian authorities introduced limitations on the activity, resulting in a reduction in trans-border traffic. However, by 1998 the traffic had nearly hit 100,000.

Questions to consider

- How did the Soviet Union’s tradition of centralized economic planning affect its ability to effectively transition their economy to a free market?
- Which failures of Perestroika have caused difficulties for the Russian economy in the long term?
- How is the current allotment of economic power in Russia a direct product of the westernization policies implemented by Gorbachev and Yeltsin’s administration?
- How does an oligarchy prevent a truly free market and hinder socioeconomic mobility?
- Consider what would happen if Russia joined the European Union. Give an overview of how the Russian economy would change and how the trade relations between European nations and Russia would change.
- How beneficial was the fall of the Berlin wall to the Russian economy? To the economy of western europe?

Bibliography

"2015 Index of Economic Freedom: Belgium." Heritage.org. Web. November 25, 2015. http://www.heritage.org/index/country/belgium

"Anatoly Chubais." *Encyclopedia Britannica Online*. Encyclopedia Britannica, 2015. Web. 23 Nov. 2015. <http://www.britannica.com/biography/Anatoly-Chubais.>.

"Anatoly Chubais | MT Profile." *The Moscow Times*. The Moscow Times, 2015. Web. 23 Nov. 2015. <http://www.themoscowtimes.com/mt_profile/anatoly_chubais/434234.html>.

Anonymous, Anonymous. 'Bilateral Relations'. *Eda.admin.ch*. N.p., 2015. Web. 1 Dec. 2015.

Anonymous, Anonymous. 'Economic Relations Between Sweden And Russia | Swedenabroad'. *Swedenabroad.com*. N.p., 2015. Web. 1 Dec. 2015.

Anonymous, Anonymous. 'Finland Economy: Population, GDP, Inflation, Business, Trade, FDI, Corruption'. *Heritage.org*. N.p., 2015. Web. 1 Dec. 2015.

Anonymous, Anonymous. 'Switzerland Economy: Population, GDP, Inflation, Business, Trade, FDI, Corruption'. *Heritage.org*. N.p., 2015. Web. 1 Dec. 2015.

BBC News. 'Russia's Trade Ties With Europe - BBC News'. Last modified 2015. Accessed November 28, 2015. http://www.bbc.com/news/world-europe-26436291.

"Belgium Economic Outlook." Focus-Economics.com. Web. November 24, 2015. http://www.focus-economics.com/countries/belgium

"Boris Berezovsky." *Telegraph*. Telegraph.co.uk, 10 May 2013. Web. 23 Nov. 2015. <http://www.telegraph.co.uk/news/worldnews/europe/russia/9950088/Boris-Berezovsky.html>.

"Boris Berezovsky | Russian Entrepreneur." *Encyclopedia Britannica Online*. Encyclopedia Britannica, 2015. Web. 23 Nov. 2015. <http://www.britannica.com/biography/Boris-Berezovsky>.

Carlgren, Fredrik. 'Swedish Economic History'. *Ekonomifakta*. N.p., 2015. Web. 1 Dec. 2015.

'Chernobyl - Seventeen Moments In Soviet History'. *Soviethistory.msu.edu*. N.p., 2015. Web. 22 Nov. 2015.

"Commanding Heights | Grigory Yavlinsky." *PBS*. PBS, 2015. Web. 23 Nov. 2015. <http://www.pbs.org/wgbh/commandingheights/shared/minitext/int_grigoriiyavlinsky.html>.

"Compare Economic Data for over 120 Countries | CEIC." *Compare Economic Data for over 120 Countries | CEIC*. 2015. Web. 23 Nov. 2015.

Conversations With Gorbachev. New York: Columbia University Press, 2002. Print.

Cook, Linda J. *The Soviet Social Contract And Why It Failed*. Cambridge, Mass.: Harvard University Press, 1993. Print.

'Cooperatives - Seventeen Moments In Soviet History'. *Soviethistory.msu.edu*. N.p., 2015. Web. 22 Nov. 2015.

Ec.europa.eu,. 'Russia - Trade - European Commission'. Last modified 2015. Accessed November 28, 2015. http://ec.europa.eu/trade/policy/countries-and-regions/countries/russia/.

"Economic Data on Netherlands." Heritage.org. Web. November 25, 2015. http://www.heritage.org/index/country/netherlands

Elfström, Stefan. 'How The Current Situation In Russia Is Impacting On Swedish Trade - Port Of Gothenburg'. *Portofgothenburg.com*. N.p., 2014. Web. 1 Dec. 2015.

Foulkes, Imogen. 'Swiss Sanctions Dilemma Over Russia - BBC News'. *BBC News*. N.p., 2014. Web. 1 Dec. 2015.

Gaddy, Fiona. "How the 1980s Explains Vladimir Putin." *The Atlantic*. Atlantic Media Company, 14 Feb. 2013. Web. 23 Nov. 2015. <http://www.theatlantic.com/international/archive/2013/02/how-the-1980s-explains-vladimir-putin/273135/>.

Gethard, Gregory. 'The German Economic Miracle'. *Investopedia*. Last modified 2009. Accessed November 28, 2015. http://www.investopedia.com/articles/economics/09/german-economic-miracle.asp.

Hjerppe, Riitta. 'An Economic History Of Finland'. *Eh.net*. N.p., 2015. Web. 1 Dec. 2015.

"Insider's Account of Yeltsin's 1996 Illness Russian Leader Depressed, Not Interested in Bid for Re-election, Ex-aide Says." *Tribunedigital-baltimoresun*. 1 Oct. 1997. Web. 23 Nov. 2015.

"Italy Economic Data." Focus-Economics.com. Web. November 24, 2015. http://www.focus-economics.com/countries/italy

Lowe, Norman. *Mastering Modern World History*. Basingstoke: Macmillan, 1997.

National Intelligence Estimate,. *Gorbachevgs Economic Programs: The Challenges Ahead*. 1st ed. Langley: Central Intelligence Agency, 1988. Web. 22 Nov. 2015.

"Netherlands Economic News." Focus-Economics.com. Web. November 24, 2015. http://www.focus-economics.com/countries/netherlands

Pbs.org,. 'Commanding Heights : France Economic | On PBS'. Last modified 2015. Accessed November 27, 2015. http://www.pbs.org/wgbh/commandingheights/lo/countries/fr/fr_economic.html.

"Perestroika." *, by Marshall I. Goldman: The Concise Encyclopedia of Economics*. 2015. Web. 23 Nov. 2015.

Putin, Vladmir. 'President Of Russia'. *Archive.kremlin.ru*. N.p., 2015. Web. 22 Nov. 2015.

Remnick, David. *Lenin's Tomb: The Last Days Of The Soviet Empire*. New York: VIntage Books, 1994. Print.

"Rich In Russia. How To Make A Billion Dollars - Boris Berezovsky | PBS." *PBS.org*. PBS, 10 Jan. 2015. Web. 23 Nov. 2015. <http://www.pbs.org/frontlineworld/stories/moscow/gusinsky.html>

"The Russian Oligarchs of the 1990's: Boris Berezovsky, Mikhail Friedman, Vladimir Gusinsky, Mikhail Khodorkovsky, Vladimir Potanin, Alexander Smolensky, Vladimir Vinogradov." *The Russian Oligarchs of the 1990's: Boris Berezovsky, Mikhail Friedman, Vladimir Gusinsky, Mikhail Khodorkovsky, Vladimir Potanin, Alexander Smolensky, Vladimir Vinogradov*. 2015. Web. 23 Nov. 2015. <http://www.sjsu.edu/faculty/watkins/oligarchs.htm#GUSINSKY>.

"Russia - The Economy - Historical Background." *Russia - The Economy - Historical Background*. 2015. Web. 23 Nov. 2015. <http://countrystudies.us/russia/56.htm>.

“Russia Trade with Belgium.” TradingEconomics.com. Web. November 24, 2015. http://www.tradingeconomics.com/russia/exports-to-belgium

“Sanctions Erode Russian-Italian Trade.” RT.com. Web. November 25, 2015. https://www.rt.com/business/266302-putin-russia-italy-trade/

Shleifer, Michael. "Privatizing Russia." *Harvard Scholar*. Harvard Press, 2015. Web. 23 Nov. 2015. <http://scholar.harvard.edu/files/shleifer/files/privatizing_russia.pdf>.

"Soviet Union - The Twelfth Five-Year Plan, 1986-90." *Soviet Union - The Twelfth Five-Year Plan, 1986-90*. 2015. Web. 23 Nov. 2015. <http://www.country-data.com/cgi-bin/query/r-12708.html>.

Suny, Ronald Grigor. *The Soviet Experiment*. New York: Oxford University Press, 1998. Print.

"Transition to a Market Economy." *Transition to a Market Economy*. 2015. Web. 23 Nov. 2015.

"Valentin Pavlov." *The Telegraph*. Telegraph Media Group, 2015. Web. 23 Nov. 2015.

Watkins, Thayer. 'Economic History And Economy Of Sweden'. *Sjsu.edu*. N.p., 2015. Web. 1 Dec. 2015.