

August 29, 1989

Excerpt from Protocol No. 164 of the Meeting of the Politburo CC CPSU, 'On Relations between the USSR and the International Monetary Fund and the World Bank'

Citation:

"Excerpt from Protocol No. 164 of the Meeting of the Politburo CC CPSU, 'On Relations between the USSR and the International Monetary Fund and the World Bank'", August 29, 1989, Wilson Center Digital Archive, TsKhSD, F. 89, op. 9, d. 27, ll. 1-7.
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Summary:

Proposal for the Soviet Union to increase contacts with the International Monetary Fund and World Bank.

Credits:

This document was made possible with support from Leon Levy Foundation

Original Language:

Russian

Contents:

Translation - English

Communist Party of the Soviet Union. CENTRAL COMMITTEE
COMPLETELY SECRET

No. P164/193

To comrades Gorbachev, Ryzhkov, Medvedev, Sliunkov, Shevardnadze, Yakovlev, Luk'ianov, Maliukov, Pavlov V., Gerashchenko, Falin, Mozhin, Shkabardne.

Excerpt from protocol No. 164 of the meeting of the Politburo CC CPSU of 29 August 1989.

On relations between the USSR and the International Monetary Fund and the World Bank.

□1. To agree with the thoughts set forth in the report of the Ministry of Foreign Affairs of the USSR, Gosplan USSR, the Ministry of Finances, and the State Bank USSR of 19 June 1989 (proposed), regarding the program of making contacts with the International Monetary Fund and the World Bank (International Bank for Reconstruction and Development).

□2. To instruct the Council of Ministers of the USSR to confirm the staff of the inter-departmental commission to coordinate the actions of the Soviet ministers and departments on realizing the said program.

□3. For the State Bank USSR, the Ministry of Finances of the USSR, and Gosplan USSR to present the necessary economic calculations of the possible financial obligations and material advantages to the Soviet Union in the case of the USSR's joining the IMF and IBRD.

SECRETARY OF THE CC

[Attachment]

□As per point 193 of protocol No. 164

Secret

CC CPSU

On the USSR's relations with the International Monetary Fund and the World Bank

□In fulfillment of the CC CPSU's decree of 1 February 1989 (P147/55), we report our thoughts on the program of contacts with the International Monetary Fund (IMF) and the World Bank (International Bank for Reconstruction and Development), as well as with the fundamental member countries of these organizations with the aim of establishing an exchange of information, management experience, and the definition of prospective areas of cooperation with them.

□The Fund and the Bank remain the only organizations of the UN system with which the USSR does not have official relations. Their members are 151 states (including Hungary, Poland, Romania, Yugoslavia, China, Vietnam, and Laos).

□The IMF and the World Bank play a central role in regulating world monetary-financial

ties, stabilizing exchange rates, balancing international accounts, and eliminating monetary limitations. They are dealing more and more closely with working out and implementing their conceptions of the struggle with underdevelopment [slaborazvitost'iu], overcoming the crisis of external indebtedness, and stable ecologically safe development.

□The functions of the Fund and the Bank connected with the coordination of the macroeconomic policy of the leading Western states are being strengthened. The expanding cooperation between the IMF and World Bank and the General Agreement on Tariffs and Trade (GATT) is creating the preconditions for the formation of an integral monetary-financial and commercial system for the future.

□Preliminary work on the study of the possibilities for cooperation with the IMF and the World Bank in keeping with the CC CPSU decree of 25 August 1987 (P80/44), which included meetings with the leaders of the central banks of the FRG, England and France, consultations with the secretaries of the Fund and the Bank, and a study of the experience of socialist countries' participation in them, permits the following conclusions to be drawn.

□1. In resolving the tasks of a radical reconstructions of the economy, an effective involvement of the country in the world economy, a defense of trade-economic and financial interests, the USSR objectively is entering into the issues regulated the Fund and the Bank.

□The participation of the IMF and the World Bank would serve the political and national economic interests of the country.

□From a political point of view, uniting the USSR and the IMF and the World Bank would serve as a visible confirmation of our new course in world affairs [and of our] line on the development of multilateral forms of economic cooperation, including in the UN system, and would assist the de-ideologization of inter-state relations.

□A rapprochement with the IMF and the World Bank would strengthen the West's interest in having a stable and predictable partner in the USSR. This line would lend an additional dynamic to the efforts to bring about international economic security comparable with the work to further military-political aspects of all-encompassing security, the content of which attracts and absorbs the attention of other countries.

□The national political significance of a rapprochement between the Soviet Union and the Fund and Bank has first and foremost a long-term, strategic character. It would assist the search for optimal ways of carrying out economic reforms, strengthening commercial-monetary relations and a greater openness by the USSR's economy to the world economy as well as its preparation to be included in the world system of ties.

□The development of the Soviet Union's contacts with the IMF and the World Bank at the first stages would already permit us to make use of the managerial experience and expert assessments of these organizations on a series of national economic problems, on optimizing investment programs, intensifying the export orientation of production, and reforming the system of price-formation. The active process of our rapprochement with the Fund and the Bank would help us solve the problem of making the transition to a convertible ruble.

□2. Political and business circles of the majority of Western countries on the whole relate positively to the USSR's desire to enter the international monetary-financial organizations and display an interest in discussing this issue on a practical plane. Negative attitudes toward the USSR's membership in the Fund and the Bank do exist

from the USA and to a well-known degree from Japan, which is determined, aside from ideological stereotypes, by their opinions about the indefinite character of the changes in the economic system of the USSR and the dangers of a politicization in the work of these organizations.

□3. The sphere of cooperation of the USSR and the IMF and World Bank in case of non-participation of the USSR in these organizations is very limited and in general comes down to mutual exchange of economic and monetary-financial information.

□An expansion of contacts is possible only if they are directed toward the USSR's entry into the IMF and World Bank and these intentions must be clearly formulated in all of our work with the said organizations.

□The inclusion of the issues of the Fund and Bank's activities and the USSR's attitude toward them in the theme of political consultations with the fundamental member-countries of these organizations, including on a high level, will have especial importance.

□In connection with what has been said here, it seems that it would be advisable to carry out our further contacts with the IMF and World Bank, as well as with the basic member-countries, in the framework of general work to construct the necessary preconditions for the USSR's joining the Fund and Bank.

□In consideration of the results of preliminary consultations with the Fund and Bank, one can expect the following on the first, preparatory level of this work:

□a study of the possibilities of jointly conducting economic analysis and preparing recommendations on issues of realizing concrete measures in the USSR in the area of improving the management of the economy and foreign-economic ties jointly with the IMF and World Bank;

□regular consultations by Soviet experts with the IMF and World Bank on current problems in the development of the world economy and of the international monetary-financial situation, in the course of which we could acquaint the specialists of the Fund and Bank with the principled directions of economic reform in the USSR, with general assessments of the course of its implementation and with the basic idea of legal acts under preparation;

□the regulation of a regular exchange of general and special economic information with regard for the agreements stipulated in the Concluding Document of the Vienna meeting of representative participant states in the Conference on Security and Cooperation in Europe and the provision of compatibility of economic statistical data;

□internships [stazhirovka] for Soviet specialists in the IMF and World Bank;

□joint scientific-practical research and conferences and the study of the experience of structural reform conducted in different countries with the support of the IMF and World Bank;

□consultations with the IMF and the World Bank on the problems of regulating the external debt of developing countries and the coordination of economic aid to developing countries among our partners in commercial-economic cooperation.

□Among the domestic measures which in particular form the prerequisites for the USSR to join the IMF and World Bank, it becomes of primary importance to ensure

basic compatibility between the general accepted norms of the world community and the measures being worked out in the USSR to develop the market mechanism, to reform the system of price formation and the financial-credit mechanism, to regulate external economic activities and the regime of monetary operations, and to improve statistical accounts. In this regard, it may be useful to take account of the relevant principles of the IMF charter and the proposals of the Fund's experts which are stated in the course of consultations with Soviet specialists when working out different measures [i.e., on domestic reforms].

□At the second stage of developing our relations with the Fund and Bank, official negotiations would begin on the concrete conditions of the USSR's membership in the IMF and World Bank. This whole process, in consideration of the unequal extent of readiness in the political and economic prerequisites, will take a certain amount of time. Hungary, for instance, took about ten years to enter the IMF.

□Work on implementing the said program will require appropriate organizational provisions from the very first stage of rapprochement between the IMF and World Bank. In the interests of carrying out coordinating actions between our departments on the complex of political, economic and legal problems, it is proposed that an appropriate Interdepartmental Commission be formed under the MID [Ministry for Foreign Affairs] USSR (evidently, with the participation of Gosplan USSR, Ministry of Finances USSR, State Bank USSR, Ministry of External Economic Ties USSR, External Economic Bank USSR, Ministry of Justice USSR and AN [Academy of Sciences] USSR). It is also necessary to create a specialized subdivision in the State Bank of the USSR to work through technical issues and to realize practical contacts with the secretaries of the IMF and World Bank in keeping with the demands of their charter [ustavnye trebovaniia].

□The entire work on developing relations with the IMF and World Bank will require active propaganda provision directed both at the foreign and Soviet audiences.

□MID USSR Gosplan USSR Ministry of Finances USSR State Bank USSR

19 June 1989

No. 457/os