Economic relations between New Zealand and the former USSR since the mid-1980s have reflected the dramatic changes in the political and economic environment of the Soviet Union, culminating in the disintegration of the Union at the end of 1991. The ending of the Cold War has altered completely the political environment within which NZ-USSR relations had been conducted, as have the reforms in foreign economic relations in regard to the economic environment. In spite of earlier steps toward liberalization of foreign economic relations, there were no tangible changes in the administration of external economic policy and the state monopoly of foreign trade even by the end of 1988. The principal landmark in the history of the decentralization of foreign economic relations was the decree of 1988 that made possible direct access for enterprises and organizations to foreign partners as of April 1989. Complementing this, and subsequent decrees and legislation in this field, was the formulation of policies concerning foreign economic relations of economic programs at both central and republican levels in 1990 and 1991. Equally significant was the parallel development of political and economic decentralization, following the growing assertion of economic and legal sovereignty by republican and sub-republican authorities.¹

¹. For a review of these developments prior to August 1991, see the author's "Decentralization and Soviet Foreign Economic Relations," a paper presented at a conference on "The Economies of Eastern Europe" at the Centre of Soviet and East European Studies, University of Melbourne, Australia, August 1991.
The late 1980s and early 1990s also brought changes in the trading environment. NZ-USSR/CIS trade inevitably has reflected the trends influencing Soviet foreign trade in general. The last decade has seen substantial fluctuations in Soviet trade relations. At the beginning of the 1980s there was a dramatic rise in Soviet imports, especially of agricultural imports from non-socialist countries. 1981 and 1982 were peak years, with decline following thereafter to the collapse of 1986-87 that accompanied the plunge in oil prices. From 1987 Soviet imports from the West began to climb again, but still only reaching the level of 1981-83. By the late 1980s the USSR faced the dilemma of increasing problems of hard currency combined with a deteriorating domestic economy. The attempts it had made to cut back on non-socialist imports in the mid-1980s could not be sustained, as domestic economic difficulties drove the Soviet Union in the opposite direction. As a result, in 1989 food imports increased by almost 25 percent, and their share of imports also had increased.

While desperate to save hard currency, the Soviet Union at the same time was under pressure as a result of the continuing decline of agricultural output to maintain imports of food and consumer products in the late 1980s and in 1990. These imports were sustained in part by massive gold sales and some recovery of oil prices. But by mid-1990 signs of trouble over repayment were apparent. New Zealand then began to face a new experience in its Soviet relationship: inability to pay. This coincided with a situation where Soviet-New Zealand trade had reached the boom levels of the early part of the decade.

On the whole, the Gorbachev era was a good time for New Zealand's economic relations with the USSR. This period saw a substantial increase in trade between the two countries, and indeed a point was reached where fears were expressed in New Zealand that the country had become unduly dependent upon the Soviet market for its major commodity exports (a consideration brought home by the debt crisis of 1990-91). That debt crisis, together with the final collapse of the Union, however, undermined the established framework and structure of New Zealand-Soviet economic relations, thereby posing serious problems and creating new uncertainty.

2. For details of gold sales, see the interview with G. Iavlinskii in Russkaia Mysl', 22 (Nov. 1991), 7.