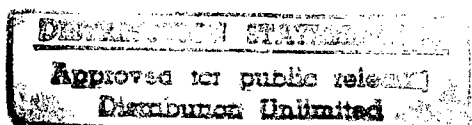




JPRS Report



Soviet Union

International Affairs

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Soviet Union

International Affairs

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Gulf Crisis Illustrates USSR's Future Foreign Policy Choices

*91UF0513A Moscow MOSCOW NEWS in English
No 2, 13-20 Jan 91 p 3*

[Article by Andrei Kortunov, political scientist: "The Gulf Crisis: A Soviet Approach"]

[Text] According to the announcements by President Gorbachev's chief foreign policy advisers, two distinct attitudes towards the Gulf conflict formed in Moscow a few weeks following Iraq's occupation of Kuwait. One attitude (represented by Eduard Shevardnadze) supports the USA, and the West in general, and is prepared to sacrifice our allied relations with Baghdad in order to protect norms of international law and Soviet-U.S. cooperation. The other attitude (often associated with Academician Yevgeny Primakov) allows the USSR greater dissociation from the Western position, based on the idea that Moscow ought to play an independent role in the conflict and, if need be, pose as an intermediary between Washington and Baghdad.

Support for these two attitudes is divided among individuals and whole ministries with their special interests. Moreover, this concerns not only the attitudes towards this particular crisis. In fact, following the end of the cold war, the new international role of the USSR is being decided.

Here there are two alternatives: one envisages the Soviet Union as part of the common European civilization after wandering for seven decades in search of utopia. It makes the quickest possible integration into the economic and political system of the West our country's chief post cold war foreign policy objective.

However, this will cost the USSR deteriorated relations with traditional allies, such as the communist regimes in Cuba, North Korea, Vietnam (perhaps China as well) and such radical leftist governments as in Libya, Ethiopia, Yemen, etc. (including the PLO). The USSR's influence on the processes evolving in the "third world" in general will also diminish.

The Soviet Union's dissociation with radical "third world" regimes will be aggravated by the purely economic conflict between the former and the latter. The USSR would sharply cut its economic aid to those countries and, what's more (along with East European states), become those countries' major rival for Western economic aid. This will enable "third world" leaders to accuse the USSR of collaborating with the West and trying to solve its own problems at the expense of the developing nations of the South.

The second alternative emphasizes that the USSR is not only a European, but also partly an Asian nation. It is a country with a dual historical and cultural legacy and, consequently, a country with "dual citizenship" in international politics. This circumstance makes full integration into Western structures hardly possible, and all

expressions of solidarity with the West will result in the loss of the Soviet Union's specific role (as a bridge between the North and the South) in the world affairs.

Of course, much depends on who will succeed Shevardnadze and take over his office in the Stalinesque high-rise on Moscow's Smolenskaya Square. Nominating Yevgeny Primakov or Alexander Dzasokhov (both of whom have spent a lot of time promoting the USSR's relations with the "third world") would mean a weakening of the pro-Western tendency in the country's foreign policy. But an appointment of professional diplomats like Yuli Vorontsov or Alexander Bessmertnykh would mark a continuation of the course steered by Shevardnadze.

At long last, the nature of the USSR's international role will be determined by more substantial factors than Gorbachev's cadres policy. First of all, this role depends on how soon the USSR acquires a market economy. For example, further radicalization of the reforms, inclusion in the world's division of labour, and attraction of large foreign capital investment would encourage Moscow to opt for the "Western" alternative as opposed to the "third-world" alternative.

Second, the choice would largely depend on the way the advanced West chooses to build its relations with the underdeveloped South. Large-scale programmes aimed at the economic and social modernization of the "third world" (in case this is initiated by the wealthy North in near future) could defuse the explosive tensions accumulated in the South. In this connection, the Soviet Union's chance to successfully wedge itself in-between the North and the South would be almost non-existent.

The temptation to pose as an intermediary between the West and the "third world" would be much greater if the West adopts a narrow-minded and selfish approach towards the "third world," which would result in further marginalization of the numerous Asian, African, and Latin American states, which, in its turn, would lead to the states' clearly anti-Western political radicalization based on nationalism and religion. In that type of situation, balancing between the North and the South, can be politically profitable for the Soviet Union.

In addition, the choice will be determined by the Soviet Union's future geographical borders. The preservation of the current multi-ethnic state with a considerable (and still growing) Asiatic-Islamic component would promote the "intermediary" option. However, a Slavic federation or confederation's secession from the USSR would promote a pro-West orientation.

RSFSR Supsov Foreign Affairs Committee Chairman Interviewed

*91UF0522A Moscow NOVOYE VREMYA in Russian
No 2, Jan 91 pp 24-26*

[Interview with Vladimir Lukin, chairman of the RSFSR Supreme Soviet International Affairs and Foreign Economic Relations Committee, by NOVOYE VREMYA observer Vladimir Razubayev; place and date not given: "Russian Axioms"]

[Text] What kind of foreign policy should Russia have? Should it be implemented under parliamentary supervision. How are the civil rights of the Russian-speaking population in the Union republics to be secured? Our observer Vladimir Razubayev interviews Vladimir Lukin, chairman of the RSFSR Supreme Soviet International Affairs and Foreign Economic Relations Committee.

[Razubayev] Soviet foreign policy has traditionally managed without parliamentary supervision. It might have seemed from the outside that it has, nonetheless, been quite effective.

[Lukin] Yes, for it was determined by the views and wishes of four or five members of the CPSU Central Committee Politburo. The influence of the foreign minister has always been of a purely personal nature. If this minister was close, conditionally speaking, on an informal level to the general secretary, his influence on strategy was relatively great. If not, he would simply carry out the wishes of the general secretary or the person who was close to him. And this led to the apparent effectiveness of the pursuit of foreign policy.

But the above "effectiveness" was gauged primarily by the subjective qualities of those who made the decisions. As a result it was too often "protocol-psychological" effectiveness. When the mastodon foreign policy machinery is largely engaged in collecting information on how the general secretary is respected, an illusion of foreign policy efficacy may easily be created even given its complete absence. Of course, Soviet diplomacy has had real achievements also—intelligent people capable of proposing and carrying through a sound idea also worked in the Foreign Ministry of that time—but they were few in number. It was not they who made the decisions. In an enlightened monarchy there is a tendency with the years to become increasingly less enlightened and more and more monarchical.... The true effectiveness of our foreign policy, on the other hand, is determined by whether the country has become better off as a result of this diplomatic action or other. But can it be said that the USSR was the winner as the result of the interference in Hungarian affairs in 1956, Czechoslovak affairs in 1968, and Afghan affairs in 1979?

One further aspect of the problem is the fact that the omnipotence of the totalitarian system was merely apparent. Omnipotence was combined with anarchy. There was a kind of "multiple-doorway system" of coordination. There was the powerful "doorway" of the military—a very influential force in foreign policy—and there was the Foreign Ministry "doorway," and they both combined all-state interests with their own. And to what did "doorway interest" amount under these conditions? An indicator of effectiveness, say, was considered the number of treaties with foreign countries....

Or take another example. Pray tell me, does our country need to have an embassy in each country of Tropical Africa? Or could it confine itself to one embassy for five

countries? But the number of embassies is a direct characterization, seemingly, of Foreign Ministry activity.... And there was further the "doorway" of esteemed Chekists, who also really influenced foreign policy. Therefore, despite the seeming facility of decisionmaking, the system suffered from obvious feebleness and lack of control. And the coordination of the "doorway" type, through which every foreign policy decision passed, was ultimately a considerably lengthier procedure than parliamentary supervision. And far more arduous than direct negotiations with other countries. Many Soviet diplomats have confessed to me that dealing with the "other side" was far less complicated than making their way through the thickets of the "multiple-doorway" system.

[Razubayev] Obviously, the length of negotiations was affected not only by the coordination procedure....

[Lukin] Of course. It is no secret that the Foreign Ministry people loved to conduct lengthy negotiations. This is understandable—this is what they were paid for. And if the negotiations were conducted overseas, they were paid in hard currency. Therefore the participants in important negotiations in Geneva, say, or Vienna might not have been unhappy that no progress was being made.

So the system was in fact cumbersome and inefficient and at the same time fraught with the danger of surprise subjectivist outbursts, if the cards of two or three "doorways" were suddenly dealt in a single "suit" and the general secretary approved this line. But much has changed in the time of perestroika. The overall processes in the country and the style that became established in the Foreign Ministry with the arrival of Eduard Shevardnadze have been reflected.

[Razubayev] Shevardnadze was at the sources of the new relations of the Union Foreign Ministry and the Union parliament....

[Lukin] He readily agreed to cooperate with the USSR Supreme Soviet International Affairs Committee. I believe, incidentally, that this Union parliamentary committee has acted and continues to act with inexplicable timidity. The techniques of hearings have not been assimilated. Departmental experts have acquired precedence at them. Independent analysts have been called on to speak last. And time has frequently been short for them also. But the precedent has been set, and parliamentary supervision has begun to operate.

[Razubayev] And how are the RSFSR Supreme Soviet International Affairs and Foreign Economic Relations Committee's relations with the Russian Foreign Ministry shaping up?

[Lukin] In order for the Russian Foreign Ministry's policy to be monitored there has to be such a policy. It does not yet exist in pure form. We have to establish our concept in the Supreme Soviet. And await the signing of the Union treaty in order to determine our authority. Until then we cannot, figuratively speaking, acquire our

own character. So a certain amount, a significant amount even, of foreign policy is made at the Union level. But the Union is a vast territorial formation. It is ridiculous to say that, for instance, Kirghizia and Estonia do not have specific foreign policy interests. Immense Russia has such all the more. It must express them via two balanced paths: via the Union, and directly. We are currently endeavoring to create this balance. We must defend our interests via the Union by participating in the formulation and implementation of the overall line.

I, for example, still cannot understand the Union Foreign Ministry position (although it was most likely not acting on its own initiative) in connection with Russian representatives' participation in the Union delegation at the Paris meeting within the CSCE framework. It cannot be denied that Russia is a most important European country. It cannot be denied that Russia is a sovereign republic within the USSR and should for this reason be represented in the Union delegation. But this axiom completely surprisingly seemed to some people merely a hypothesis and was studied for a very long time. Only the day before the start of the Paris meeting did we receive a reply. It was positive, but need a decision on this elementary matter have been dragged out that long? The Ukraine received an answer to a similar demand on the last day. Even if it was once again positive, this is not the way to deal with sovereign countries. From such petty problems big conflicts arise. They must be prevented. We need to sit down at the negotiating table and divide up functions and authority. The Union should have the right to make decisions in some sphere, and the republics should be subordinate, otherwise disorder will reign. But in everything else they should act themselves. It is the RSFSR Foreign Ministry that should regulate the republic's relations with neighboring countries. Vladivostok should not be applying to the Union Foreign Ministry on matters concerning Russian-Japanese relations. This is the prerogative of the Russian Foreign Ministry. When all functions have been divided up, a Russian foreign policy will emerge, and we will be able to speak of the Russian parliament's supervision of its implementation.

Meanwhile our relations with the republic Foreign Ministry are in the process of formation. We should now be helping it more than supervising it. In addition, the stage of elaboration of the concept of Russia's foreign policy activity continues. We will in January be submitting it for examination by the RSFSR Supreme Soviet.

Good relations have taken shape between our committee and the Foreign Ministry. We played an active part in the search for and discussion of candidates for the office of minister. The International Affairs and Foreign Economic Relations Committee made a considerable contribution to Andrey Kozyrev becoming minister, incidentally, because it was we who proposed this candidate. In respect of the prospects of future Russian foreign policy our views and the minister's views are very close. We believe that we can neither adopt a servile position in

respect of the Union nor endeavor to demolish that which is good that there is in our country at the Union level.

[Razubayev] In what capacity will Russia participate in the all-European process?

[Lukin] If the Union treaty, which we wish to sign, records that participation in the all-European process is predominantly a matter for the Union, the Union will involve itself with this. But Russia will participate in the all-European process via Union diplomacy. If, however, it is unsuccessful here, we will raise the question of Russia's participation in the European process as a subject of it, for it would be ridiculous if a Europe from the Atlantic to the Urals were to be created without Europe from Smolensk to the Urals.

[Razubayev] What do you think, should Russia become a member of the United Nations?

[Lukin] A parliamentary delegation of the RSFSR Supreme Soviet visited the United Nations recently. During talks with its representatives we declared that we understood full well the problems ensuing from the UN Charter, but would like the Russian factor to be represented in some way, for all that. In specialized agencies as an observer, possibly, but represented. We already have certain arrangements with the USSR Foreign Ministry in this connection.

[Razubayev] What is your attitude toward the proposition that Russia and the USSR as a whole should switch to an isolationist policy for the next several years, decades, perhaps?

[Lukin] This is inevitable to some extent. The country is bankrupt, to call things by their name. Everything has been invested in the military complex. Elementary human needs figured in the budget according to the "residual" principle. The result is well known. There is a tenfold "Vietnam syndrome" in the country. I would recall that the United States was for a decade virtually oriented toward isolationism following the Vietnam failures. So it is not a problem here of the choice of whether to consent to isolationism or not but of recognition of the ancient piece of wisdom coded in the saying: "cut your coat according to your cloth." I believe that the country is condemned for a lengthy period of history to a very modest foreign policy. The reference points, evidently, will be geopolitical interests and economic activity. In this respect I would prefer the "policy within one's means" concept to the term "isolationism." This presupposes rationalism and minimal expenditure and at the same time a responsible presence in the world community. A **responsible** presence, precisely, what is more. The RSFSR Supreme Soviet, for example, recently adopted a decree criticizing Soviet policy in the Persian Gulf. I do not consider this decision correct. I do not at all believe that the USSR should immediately dispatch its forces to the Persian Gulf. By no means, we should not send them.

But, for all that, not sending forces is one thing, emphasizing that Russia is knowingly not supporting the international community in its attempt to eliminate the consequences of the aggression is another. This is an insufficiently responsible approach. The country should be a civilized member of the international community and participate in its affairs, but this participation should conform to the possibilities and interests of the state.

[Razubayev] Your committee further studies Russia's relations with the Union republics....

[Lukin] Among other committees and commissions of the RSFSR Supreme Soviet. Now, when the quality of leadership on the part of the "center" is quite dubious, the maintenance of interrepublic and interregional ties is extraordinarily pertinent. In our country there are republics that are intent on seceding from the Union, and there are republics that are intent on remaining but are putting forward the most varied conditions. In this situation we are trying to conclude specific agreements between republics, that is, to establish horizontal relations that create a guarantee that all the positive features which united the Union operate throughout the transitional period. Our committee took part in the elaboration of the agreements with the Ukraine, Kazakhstan, and Belorussia. I do not rule out something multilateral gradually being formed from this also. We would then be commencing from below a process which spins its wheels when it proceeds in accordance with an initiative "from above." It is a question of the re-creation of a political, economic, legal, cultural, and ecological space and Union structures devoid of imperial, dictatorial properties, which have exasperated everyone. And this would not be talk about the benefits of the Union but a real contribution to the prevention of its collapse.

[Razubayev] I have the impression that at least part of the Russian leadership is proceeding in its relations with other republics from the concept according to which the formation of national states is now under way in the USSR. Whence the specifics of the response to the problem of refugees from other republics....

[Lukin] I do not believe this to be the case. Although I admit that there could in the Russian parliament be people with a medieval feudal thinking complex. They truly agree that all need to separate into national states with mythical "absolute sovereignty." In my opinion, this is a reactionary utopian position, with which I categorically disagree. A philosopher said: Truth is dearer than home. If this is not so, you really do not love your homeland for, given the reverse reading—home is dearer than the truth—views would be as close as could be to fascist. Such was Hitler's logic. Alas, many people have inherited from the past feudal logic. The "nationalism" concept is triumphing in place of the "internationalism" slogan. But the behavior has remained the same as before—totalitarian-commissar behavior. I was told recently about quite a prominent figure of the present regime in a Transcaucasus republic. His father

and mother were people of different nationalities. They are buried together. This man is now building a wall between their graves....

I am opposed to the collapse of the Union. Such a collapse would bury beneath the rubble many totally innocent people. I am for the conversion of imperial forms of relations between republics into civilized forms. The treaties between Russia and other republics, incidentally, provide for tremendous attention to be paid to the problem of citizenship. People must have the right to voluntarily choose this citizenship or the other. Russian citizens in the Ukraine, say, or Ukrainian citizens in Russia should here enjoy equal rights with the local citizens. In addition, the treaties contain the proposition that Russia will display particular concern for its citizens in other republics, permitting other republics to display particular concern for their citizens living in Russia. I believe that we must do this and that we do not always concern ourselves with this sufficiently. I am convinced that we should protect the rights of Russians and the representatives of other nationalities traditionally connected with Russia—Tatars, say—by the most effective methods when these rights are violated in other republics. This is one further axiom of Russian foreign policy.

Value of 'Nonprofessional' Ambassadors Weighed

91UF0487A Moscow ARGUMENTY I FAKTY
in Russian No 6, Feb 91 p 4

[Unattributed article: "Extraordinary and Plenipotentiary...Nonprofessionals"]

[Text] **Chingiz Aytmatov, the distinguished Soviet writer, is the USSR Ambassador Extraordinary and Plenipotentiary to Luxembourg. This presidential appointment has generated discussion everywhere, particularly among writers and diplomats. The old debate has flared up once again over the question: what is diplomacy—a profession or a post? V. Israelyan, ambassador extraordinary and plenipotentiary, reflects on this point.**

Chingiz Torekulovich answers this question as follows: "Diplomacy is of course a profession, but this factor should not be made into a fetish." Let us state directly that the appointment of a writer, an artist, or a businessman to an ambassadorial post is not so very much out of the ordinary. To be sure, the motivations that heads of state are guided by in making such appointments vary.

The most common among them include kinship and friendship ties. Kings, presidents, prime ministers, and ministers in all times have appointed their relatives or retainers to prestigious diplomatic posts. Social formations and political systems have changed, but this custom has remained. It also inhered in the "period of developed socialism."

We recall that Yu. Kirichenko, the son-in-law of the minister of defense, was at one time the ambassador to Iceland and Norway; that A. Piradov, son-in-law of the

minister of foreign affairs, was permanent representative to UNESCO, etc. However, there was also another category of persons whose attainment of the rank of ambassador was not a manifestation of the rulers' friendship or kinship feelings, but to the contrary, was the expression of their dissatisfaction. Such "exiled" ambassadors are innumerable in the history of world diplomacy. Mussolini, upon flying into a rage at Count Ciano, his son-in-law who served as minister of foreign affairs for a number of years, removed him from that post and appointed him ambassador...to the Vatican.

And in our country? After Molotov suffered political defeat, he found himself in an ambassadorial post in Mongolia; N. Yegorychev, first secretary of the Moscow City Committee of the CPSU, who did not get along with Brezhnev, was appointed ambassador to Denmark. This list could be expanded with the names of party and Komsomol workers who displeased the center of ministers who failed to cope with their duties, etc.

The Kremlin's Viceroy's

But there is one more category of nonprofessional ambassadors who are appointed with the special goal of demonstrating the special character and significance that are attached to relations with the state to which they are accredited. Prominent statesmen and political figures belonging to a nation's leadership have occasionally been appointed to key diplomatic posts. In our case this practice started with the socialist countries.

Secretaries of central committees of republic communist parties, oblast party committee secretaries, responsible workers of the apparatus of the CPSU Central Committee—such is the circle of persons from which we drew our ambassadors to the socialist countries. While there was only a handful of such appointments at first, they became the rule starting in the mid-50's. These appointments were occasionally based on what could be called the regional principle. Thus, Belorussian leaders were appointed ambassadors to Poland, Irkutsk Oblast leaders were named ambassadors to Mongolia, etc. It was thought that similar economic and geographical conditions and historical ties would help the newly-fledged ambassadors discharge their functions effectively. To be sure, it is difficult to say what similarities existed in this regard between Armenia and Vietnam, but it was specifically S. Tovmasyan, first secretary of the Armenian CP Central Committee, who was appointed ambassador to Vietnam at a time. Such curiosities were numerous.

The logic of such appointments was simple. Since a given country had proclaimed its policy of building socialism, only leading CPSU figures should be accredited to the governments of these countries.

Some ambassadors in sovereign states felt themselves at home in a republic or province and believed that their advice (which they offered in the form of instructions) should be followed absolutely by the leadership of socialist countries. For the most part, they talked to the

top statesman and in the ministry of foreign affairs they usually talked to the minister. I note parenthetically that there was not a hint of reciprocity in this regard. In the past, ambassadors from socialist countries in Moscow were received by our minister of foreign affairs only in special cases. As a rule, they talked to the appropriate USSR Ministry of Foreign Affairs department heads.

The result of attempts by our ambassadors to apply the methods and style of their past party work to interstate relations was that many of our ambassadors in socialist countries were forced to leave them because of the request and even the demand of the leadership of these countries.

I believe that the unprofessional, inept activity of some of our ambassadors to socialist countries and their interference in the internal affairs of the latter made it difficult to develop truly friendly relations with the Soviet Union. I am far from thinking that the socialist system in East European countries collapsed because of our ambassadors' inept actions. This system had shown its insolvency in the Soviet Union proper and its forcible imposition on the East European countries had a still smaller chance of success. Our highest diplomatic representatives, however, did not wish to see the realities in these countries.

Forward, Partocrats!

The practice of appointing leading CPSU officials to top diplomatic posts still continues. Thus, several years ago, Ya. Ryabov, a secretary of the CPSU Central Committee, and subsequently a deputy chairman of the Council of Ministers, was named ambassador to France. G. Razumovskiy, another secretary of the CPSU Central Committee, recently became consul general in Shanghai; A. Kapto, a former department head of the CPSU Central Committee, was appointed ambassador to the Korean People's Democratic Republic. How effective is this practice? After all, we must have a clear picture of the tasks that confront an ambassador. Many centuries of experience attest to the fact that the appointment of people lacking special training to diplomatic work is not without its costs. The higher the post, the higher the costs.

A new Broom" in the Ministry of Foreign Affairs

But nevertheless, diplomacy can be learned if one has the natural qualities. The modern diplomat must possess serious analytical abilities, must have the ability to establish and develop business contacts. He must also be a good administrator capable of heading a collective. He must have a sense of tact and be ready to assume responsibility. Diplomatic work is essentially political work, and for this reason professional politicians have frequently made the best diplomats.

E. Shevardnadze can specifically be listed among such people. In my view, three qualities enabled him to become a minister whose activity will long be remembered. There was his ability to learn from those who

know more about a certain area than he does. This quality was manifested particularly vividly in the first stage of his activity. Second, he know how to discern and utilize people's strongest qualities. It seems to me, however, that he was not uniformly fair in his treatment of everyone.

Last, but by no means least in importance—democratism. From the first days of his tenure at the Ministry of Foreign Affairs, Shevardnadze was accessible to his colleagues. He quite soon understood the importance of personal contacts with journalists, not only foreign, but primarily Soviet journalists.

In his emotional makeup, the new minister—Aleksandr Bessmertnykh—is the exact opposite of his predecessor.

I have had the pleasure of working with A. Bessmertnykh and I am glad that for the first time in the entire history of Soviet diplomacy the post of minister of foreign affairs is filled by a professional diplomat. All past ministers have entered diplomacy from politics. For the greater part of his career, he worked in the Soviet embassy in Washington under A. Dobrynin, our ambassador for many years. It seems to me that this had a great influence on his perception of the world. The fact that A. Bessmertnykh has gone through all levels of the diplomatic service indicates that he has a good knowledge of the methods and work style of our foreign policy department, its positive qualities and shortcomings, and that he will implement the president's foreign policy precisely [sentence ending, with no punctuation, as published]

Failures of CEMA, Hopes for OIEC Examined

91UF0499A Moscow KRASNAYA ZVEZDA
in Russian 14 Feb 91 First edition p 3

[Article by P. Shinkarenko, candidate in economic sciences: "CEMA: The Flags Have Been Lowered. What Now?"]

[Text] In January of 1949, six East European countries headed by the Soviet Union created the first international organization of a new type—the Council for Economic Mutual Assistance. Today, 42 years later, the flags have been lowered in front of the CEMA building in Moscow. And although the decision regarding the Council's fate has not yet been made, it is already clear: The experiment using new and artificially created "rules of the game" in the sphere of business has, to put it mildly, proven to be unsuccessful.

Is There Room In The Trade Ranks?

The history of CEMA has demonstrated that the difficulties which this organization encountered in the last two decades were predetermined in its genes, i.e., in the conception which specified the priority of political motives over economic. It was largely in pursuit of this idea that there was a break in the traditional economic ties of most of the countries of Eastern Europe. Their economy took a 180-degree turn in the direction of the Soviet Union, and an inter-sectorial scheme of division of labor based on the interests of the partners in cheap Soviet raw materials was established. The tip of this iceberg became the administrative-command system of management, which took into its iron hand every thread which tied together the countries of the alliance.

Added to this was also the general desire not to appear to exhibit the morals of the West which were "foreign to socialism"—the race for profits, the struggle for sales markets, etc. The logical step of such a policy became the creation of transfer rubles—money which no one held in their hands, and the formulation of "fraternal" conditions of cooperation, when clear errors and thoughtless decisions of some were compensated for by large contributions on the part of the wealthier partner, as a rule, the "big brother".

As a result the USSR, supplying raw materials which were in extremely short supply to the CEMA market for decades, found itself laden with an extremely heavy burden of foreign debt, estimated at tens of billions of hard-currency rubles. For example, even last year Poland paid 96 transfer rubles per ton of Soviet oil. On the international market it goes for \$120-\$180. Yet one dollar in Poland cost 9,500 zloty, while the transfer ruble was only 2,100. In short, the Soviet deliveries cost Poland one-sixth of what the Western deliveries cost.

The bitterness of disappointment in the capabilities of the planned economy spilled over onto the pages of the newspapers and into the halls of scientific meetings during the very first attempt to restructure the mutual

relations with the CEMA partners. The radical economic transformations which were being implemented in the country, and which were based on market relations, could not be written into the system of the plan-distributive mechanism operating within the Council.

The Soviet Union's decision to change over as of January 1991 to trade with all countries, including with the CEMA members, at current world market prices with consideration for quality of goods, and to perform accounting in freely convertible currency, poured oil into the fire. The new policy of the USSR's interrelations with the partners from the recent Council block opened the doors to the West. However, the first efforts to realize this idea were not crowned with success. As the American ABC [broadcasting network] noted, the East Europeans were quickly convinced of the fact that no one needs goods whose quality leaves something to be desired.

The hopes for large Western investments were also not justified. The banks of the USA, FRG, and France limited themselves to small contributions and did not undertake the task of saving an economy burdened by a huge foreign debt—in the sum of approximately \$170 billion. Moreover, membership in international organizations capable of giving guaranteed credits was laden with such conditions that we could not even dream of such a step. "To become a member of this organization (the European Council) 'free of charge' is simply impossible", Hungarian Ministry of Foreign Affairs State Secretary T. Katon explained to journalists.

CEMA Is Dead, Long Live OIEC

So, who has emerged as the winner from the changes which have been undertaken? At first glance, it is appropriate to speak not of gains, but of losses. First of all because the restructuring of the economy means (and will still entail) a sharp decline in production in all sectors, especially those oriented toward the foreign market. In 1991, for example, the USSR expects a 30 percent reduction in the foreign trade turnover with the countries of Eastern Europe.

However, this cannot be tolerated without something to ease the pain. While our partners depend on deliveries of oil and gas, the Soviet economy also needs imports. Even 2-3 years ago the production of the CEMA states met almost half of the USSR's needs for equipment for textile combines, 40 percent of its needs for auto loaders, and 15 percent of its needs for farm equipment. Machines for the fruit canning industry, for the production of sugar, confectionery goods and dairy products were sent to Soviet enterprises. Mutual commodity turnover reached the huge sum of 200 billion rubles at that time—over half of the total foreign trade turnover of the CEMA states. We were reminded of our close ties by Hungarian "Ikarus" buses, by Czechoslovak cable cars and trolleys, by railroad cars from the GDR, by ships from Poland, and by electronic computers from Bulgaria.

Of course, with the changeover to new methods of pricing and accounting in dollars, there is a sharp decline in the volumes of mutual commodity shipments. After all, no one wants to accept obviously "second-rate" products, and especially at world prices. And if you do not sell your own goods, then you will also not be able to buy. Therefore, many goods continue to disappear from the Soviet market and the disintegration of previously existing cooperative relations is intensifying.

Will this be to the benefit of the participants? Hardly. The events of recent days have shown that it would be inexcusable to shoot from the hip. The need for an economic union of East European countries remains. First of all, the production attachment of the partners to one another is still strong. Tens of enterprises specializing in the manufacture of goods for a unified complex have been built in the countries. Tens of pipelines and electrical transmission lines have been installed, and there are strong direct communications. Secondly, most of the CEMA states are trying to solve similar economic problems associated with the restructuring of their economies on market principles.

We should also not discount the fact that to renew the production and foreign trade structures, to prepare ourselves for inclusion in the common European market—is a task not for a single day. Efforts to jump onto a fast-moving train from a standstill have been unsuccessful for everyone. We will need years to find new markets for the sale and purchase of many types of

products, to implement reconstruction of production and to introduce new technologies intended for the manufacture of competitive products. All this is more easily done not separately, but by relying on each other's support.

CSFR government Deputy Chairman J. Dienstbier agrees with this. "It is incorrect to assume," he recently announced, "that we will enter Europe faster if we ignore the problems to the east and northeast of our borders..." His position toward the USSR is even more definite: "It is in Czechoslovakia's interests to stabilize mutual relations and to give them a long-range perspective".

So, is CEMA catching its "second wind"? The answer is unambiguous: No, its history is finished. Eastern Europe needs a different organizational structure capable of fulfilling new tasks. The meeting of heads of state of the CEMA countries scheduled for the end of February in Budapest may resolve this problem. It will submit for review draft concepts for cooperation under new conditions, as well as the draft of a charter for a new economic union. It will be called the Organization for International Economic Cooperation. In acquainting ourselves with the documents, we see that the new union gives its members broad rights. First of all, they may participate in other international, including Western, economic organizations. And this instills hope that the integration into the world economy within the make-up of the OIEC will not be as painful as it would on an individual basis.

Nonaligned Countries' Peace Efforts Viewed

*91UF0483A Moscow IZVESTIYA in Russian 14 Feb 91
Union Edition p 4*

[Article by IZVESTIYA press service: "They Failed To Agree"]

[Text] According to news agency reports, an attempt by a group of nonaligned countries to work out a unified position on the issue of resolving the crisis in the Persian Gulf ended in failure.

Representatives of 15 states participating in the Non-aligned Movement, as well as the Palestine Liberation Organization, held a conference in Belgrade on the issue of ways to resolve the crisis that did not produce results. According to reports received, participants in the conference failed to develop a final document containing the statement of a unified approach to the crisis in the Persian Gulf. As diplomatic sources communicate, the main difference occurred with respect to whether to include in the final document demands concerning any preconditions for resolving the conflict, as well as what these preconditions should be.

Representatives of Algeria, the Palestine Liberation Organization, Cuba, and Ghana insisted on the demand that the combatants immediately cease fire being made a

precondition. This proposal was rejected by a majority, which believes that the United States and the multinational forces will not agree to a cease-fire without receiving from Iraq assurances of its willingness to comply with the demands of the international community on discontinuing the annexation of Kuwait.

On the other hand, a number of participants in the conference headed by Egypt demanded that the recognition by Saddam Husayn of UN Security Council Resolution No. 660, which envisages the withdrawal of Iraqi troops from Kuwait, be made a precondition. Representatives of the countries supporting Iraq in the current conflict came out against this proposal.

Federal Secretary for Foreign Affairs of Yugoslavia Budimir Loncar, who spoke at a press conference after the meeting, stated that participants in the conference took "extreme positions, and securing a political settlement will be very difficult."

Nonetheless, an agreement to send delegations to Baghdad and Washington in search of ways to resolve the conflict was reached at the Belgrade conference of the representatives of nonaligned countries. Delegations will also be sent for negotiations with the UN, the EEC, and the government of Kuwait in exile.

Ekho Deal To Discredit RSFSR Government

91UF0516A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 26 Feb 91 p 2

[Article by Ye. Zhirnov and S. Razin: "The Bets Have Been Placed. Dismissals Are Inevitable: Returning to the Matter of the 140 Billion"]

[Text] And so Moscow KGB workers arrested the Englishman Paul Pearson at Sheremetyevo-2. Judging from the fact that counterintelligence participated in the operation, you would think they caught a full-fledged spy at the airport. But he turned out to be a small fry who happened to be involved in a scandal of outstanding proportions.

Having searched Pearson right down to his underwear, the Chekists discovered some curious documents. According to a signed contract, the Chelyabinsk branch of the Ekho firm intended to sell the Dove Trading International company 140 billion rubles [R] for \$7.756 million. But the main find was a letter signed by USSR Council of Ministers Deputy Chairman G. Filshin. The Russian vice premier supported the transaction.

The country learned about this scandal from the "Vremya" program, which broadcast the KGB announcement of 23 January. Silayev's cabinet was threatened with a great deal of unpleasantness. The more so since the parliamentary commission called the "transaction of the century" illegal. True, the matter did not go to the point of forcing the government of Russia to retire, but the scandal that broke out created for it the reputation of a partner inclined toward shady dealing.

Accusations were hurled thick and fast, saying that the republic leaders were not against selling all of our money to the "capitalist sharks" and auctioning Russia off. Later, USSR Premier V. Pavlov announced that the Western bankers were planning financial sabotage of the Country of the Soviets, buying up our "wooden" cash at a discounted rate. You will agree that the "case of the 140 billion" took on a special cast. Amidst the loud accusations, the explanations ventured by the Russian government concerning the logic of the transaction seemed to fall on deaf ears. Let us try to listen. In the opinion of (now former) Vice Premier G. Filshin, the transaction was to have been carried out in three stages.

First: Western companies, buying up food products and consumer goods for hard currency, would sell them to the starving Russia for rubles. And the nature of the imports would be determined by the RSFSR [Russian Soviet Federated Socialist Republic] Ministry of Trade.

Second: The foreign partner would open a ruble account in one of the Soviet banks. The money would be invested in our poverty-stricken industry while at the same time the firm's technology and equipment would be delivered from abroad.

Third: The reinvigorated enterprises would begin to produce goods which would not only have a chance of

satisfying the domestic market but would also reach the world market. This would make it possible for the foreign partners to count on a good profit—but in the future.

"It was essentially a modified Marshall Plan," thinks G. Filshin. "It brought both Europe and Japan out of their postwar crisis."

The "Case of the 140 billion" did not appear out of thin air. It is easy to see this if one traces how relations between Russia and the center developed after 12 June of last year when the Russian deputies adopted the Declaration of Sovereignty.

Sovereignty also means real economic power. And power means mainly banks, the budget, and hard currency, about which sharp disagreements have also arisen.

The Russian government dealt a significant blow to the center's monopoly on finances by declaring the creation of an independent Central Bank of the RSFSR and a broad network of its commercial branches.

A budget war began. The RSFSR Supreme Soviet adopted a special law making it incumbent on all enterprises located on the republic's territory to pay their taxes exclusively to the Russian treasury. As a result, instead of R143 billion the Union government received only R24 billion from Russia.

The culmination of this standoff came, perhaps, on 31 October after the adoption of the Law "On Providing for the Economic Basis for RSFSR Sovereignty."

This was a blow to the center. As we know, oil exports have decreased 2.5-fold over the past three years. There were two possibilities of staying afloat: relying on foreign credit, and investing in diamonds and gold like a pawn shop would. And, according to the new law, these would be diverted to Russia.

The countermove followed only three days later. The president published an ukase concerning special currency conditions, according to which all the currency revenues from the enterprises would be raked into the Union treasury. As a result, the RSFSR Council of Ministers had a debt of \$600,000 (although the republic brings in more than 80 percent of the hard currency profit). Thus there was a need to look for nontraditional ways out of this extremely severe crisis. One of the variants of a rescue was to flood the consumer market by selling rubles for hard currency.

"The basis of these operations is the concept of partial convertibility of the ruble. Who would it hurt if we brought Western capital into our half-destroyed economy?" asks V. Yaroshenko, RSFSR minister of foreign economic ties.

"In order to provide for Russia's currency independence and to stabilize the consumer market, we could possibly resort to a limited and regulated sale of rubles to foreign investors. This would make it possible to increase the

exchange rate of the ruble considerably and provide for bringing hard currency into Russia," B. Yeltsin stated in the parliament.

You already know what actually happened.

At this point, how can one fail to mention the ill-begotten ANT? There was such a hubbub. As a result, we robbed ourselves by compromising this concern and driving it away. But what about now? There is every sign that the "case of the 140 billion" was a brilliant operation for economically and politically discrediting the Russian government. Here are a couple of arguments supporting this version.

From the Western side, the "Marshall Plan" was overseen by Colin Gibbins, president of Dove Trading International. It was difficult to find this small intermediary firm in the Republic of South Africa where, as we know, Interpol does not have any authority. This detail seemed quite essential since during the course of the investigation it was unexpectedly revealed that in England this champion is faced with a prison term for industrial espionage. As the British SUNDAY TELEGRAPH reports, C. Gibbins, formerly unemployed, tried to ship to the Soviet Union high-precision technology that had been used in the defense industry. As the foreign publication asserts, Gibbins could engage in this kind of activity only with the knowledge of the KGB. It is difficult and perhaps impossible to verify this. This person first appeared in our country six years ago and has made more than 40 trips to our country since then. He has a permanent office in one of the hotels in the capital.

No less colorful is the personality of A. Sviridov, who signed the contract for the Soviet side. While previously he was a nomenklatura worker who had traveled the thorny path from secretary of a Komsomol [All-Union Leninist Communist Youth League] city committee to the director of Gorplodoovoshchborg, now he has become a businessman. Why did Andrey Sviridov, while heading the association called Restoration of the Ural Countryside, decide to sell billions on behalf of a non-existent firm? Let the investigation explain that. But what wind blew Sviridov into the capital?

First there were rallies where he was always in the first rows. Then he became a deputy of the Chelyabinsk Oblast Soviet. There were no special problems after that. Having obtained a letter of recommendation from the oblast soviet, Sviridov quickly established "business" contacts in the RSFSR Council of Ministers.

The machine went into motion. As early as 19 December, on behalf of the RSFSR Council of Ministers, a certain N. Tregub signed a protocol of intentions with Gibbins' firm. True, the investigation has not been able to locate Tregub yet, since no such person has appeared in either the parliament or the government! Nonetheless, on 10 January RSFSR Trade Minister A. Khlystov sent a letter to the RSFSR Council of Ministers: "Following your instructions to enlist Western investors for the

purpose of buying consumer goods, advanced technologies, equipment, machines, and mechanisms, the RSFSR Ministry of Trade has held negotiations with a number of representatives of firms and banks, including a discussion of the agreement between the firm Dove Trading International and the association Restoration of the Ural Countryside...—G. Filshin's resolution is indicated on this letter: approve, assist, and open a ruble account. Dove Trading International expected to see R10 billion in its account as early as 23 January and on 28 January—another 130 billion.

The Checkists, as always, arrived in time. But the question arises: How did the former nomenklatura worker find his way directly to a questionable "businessman" who, by the way, was willing to enter into a colossal transaction without any official guarantees from the government?

As we know, Premier Silayev stated that "KGB organs had organized a constant witch hunt—that is, for members of the Russian government, giving no consideration to either methods or means." But still! There might not have been such a loud scandal over 140 billion. And there should not have been.

Why was it that G. Filshin was mixed up in the "transaction of the century?" It would be more logical to deal with the finance minister or the minister of foreign economic ties, or else with the premier himself. But it was to Filshin that these suggestions were made no less than five or six times. Apparently they took his nature, his character, into account—direct and resolute. He could forget about formalities for the sake of a good idea.

"We need goods at any price," this is what the vice premier himself said, letting it be understood that he was going for broke and knew what he was doing.

It is disheartening to write about shady dealings on the part of someone in whom the people sincerely believed. Filshin exceeded his authority when he entrusted the financial service of a foreign firm to a bank which did not have the right to conduct foreign economic activity. By supporting the "transaction of the century" he was clearly trying to bypass the Ministry of Foreign Economic Ties, thus violating the decree of the RSFSR Council of Ministers concerning importing rubles. The result is sad. Even when the smoke finally clears over this story there will still be a lack of confidence in the leaders who conducted state affairs on such an amateurish, primitive level.

The "transaction of the century" did not come off. But if only it had brought us even a step closer to the way out of the pit in which the country finds itself; if there had been a flicker of hope for a real change in the economy, about which people have been speaking for six years.

Yes, our young democracy's problem is that it emerged not from a system with various kinds of property ownership but from the dissonance of rallies. This is apparently why among parliamentarians at various levels there

have been too many dilettantes and self-seekers who have lost their sense of reality. And all the while opponents of reform, because of their apparatus training and discipline, have begun to gather points in their favor, they have effectively managed to compromise the very idea.

"Importing rubles is the only thing that can still bring the country out of its impasse"—many eminent economists and political scientists have told us this. Their judgments are based on an obvious fact: Nobody will give us any more billions in loans since our foreign debt is approaching \$80 billion. And without currency, without Western investments, it is impossible to improve our economy. Only one solution remains—cooperation with foreign firms under mutually advantageous conditions.

Whether our version is approved or angrily refuted "from competent sources," there is still a conclusion that is obvious to everyone: After ANT and after the present scandal with the 140 billion, it will be much more difficult to find these partners than it was a year or a year and a half ago.

And the most interesting thing: Having loudly condemned the Russian government for squandering public property, the Union government and vigilant organs look the other way when it comes to the bank accounts of other (more successful?) firms:

The Indian, Salim Gupta—the agent of American firms that have R150 billion in the USSR;

the Auma and Aska associations—which have approximately a billion each, and so forth.

Where did they get these billions? Was it not from the USSR State Bank?...

Tatarstan to Sell Oil Abroad

91P50106A Moscow *VECHERNYAYA MOSKVA*
in Russian 18 Dec 90 p 1

[Unattributed report]

[Text] Kazan. First Deputy Chairman of the USSR Council of Ministers Lev Voronin signed a regulation giving Tatarstan the right to sell a million tons of oil abroad in the first six months of the upcoming year. The amount of money earned—approximately 200 million dollars—will be spent on the acquisition of equipment for the food and processing industries and also for public health.

Assessments of Economic Performance Viewed

91UF0515A Moscow *EKONOMIKA I ZHIZN*
in Russian No 6, Feb 91 p 20

[Article by Doctor of Economic Sciences V. Kirichenko and Candidate of Economic Sciences V. Martynov: "USSR-U.S.: Correlation in Economic Development Levels"]

[Text] International Comparisons: New Approaches and Results

International comparisons of various countries' development levels have always been a matter of intense economic, and sometimes sharply political, interest. As a rule, the results of such research are subjected to critical analysis.

Comparisons with other countries (first of all, with the United States), conducted by some of our scientists and statistical organs, has not been an exception to this rule. On the whole, it is fair to say that calculations, published in the past in official statistical books, are not to be trusted, and that they have not withstood well the test for trustworthiness and objectivity. This is directly related to the fact that for a long time statistics had served a certain ideological function, the prevailing aim of which was to embellish the reality and to "unmask" the tendentiousness—as it was presented—of the bourgeois evaluations of the pace and size of the Soviet economy.

Now we are dealing with an opposite tendency: There is a competition among a certain part of Soviet economists to present the most understated assessment of Soviet economy vs. the U.S. one. This trend has been reflected in our press—*MOSKOVSKIYE NOVOSTY* (20 May 1990) and *IZVESTIYA* (7 April 1990) described the proceedings of a conference in the United States, at which the Soviet economic situation was discussed. A large group of Soviet economists participated in that meeting. One of the intentions of the conference organizers was to criticize the CIA data on the USSR, which, in their opinion, were biased in the direction of overstatement. The Soviet representatives made a most substantial—by the number of critical words—contribution to this cause, leaving no stone unturned in the old evaluations presented by our statistics. The bets went into a freefall until they finally stopped at the level of Soviet economy equalling 14 percent of the U.S. Gross National Product [GNP] and 20 percent of U.S. national income. It is not our goal to analyze here these estimates and the methods by which they had been determined (this is a topic for a special discussion). We will only note that well-founded doubts in these assessments had already been voiced in our press (*KOMMUNIST*, No 16, 1990, pp 70-72).

Our task is to present our view on the solution to the problem of intercountry comparisons, and to describe what has been done and what is being done in this direction by the state statistics organs.

How the Assessments Were Overstated

In doing international comparative analysis, the USSR state statistics preferred to use—if one may use such expression—the indicators of gross yield (gross industrial output, gross agricultural output, etc.). The level of economic development in a generalized form had been characterized by the size of net yield of the branches of material production (produced national income). Little attention was paid to the comparisons of indicators in

the service sector and those of the military budget. The main goal of the official domestically-produced international comparisons was the recalculation of USSR value indicators into the currency of the compared country (most often, the United States), whose officially published statistical data were regrouped in accordance with Soviet methodology.

For validation purposes, a comparison was made on the basis of U.S. statistical concepts; in order to accomplish this, conversion keys between the accounting system in our country and the American accounting model were used. An approximate correspondence of the contents of the indicators selected for comparison could be achieved only at the highest level of data aggregation. Currency coefficients necessary for accomplishing such tasks had been determined on the basis of information on the average price levels provided by current Soviet statistics, and the materials of foreign countries economic surveys.

In calculations of the international price indices, the weighting was done only within the structure of the value indicator of the Soviet Union. This, in particular, resulted in understating the parity of the currencies and, correspondingly, overstating the value of the index that characterized the level of the Soviet consumption fund in relation to the American one. The growth in USSR capital funds, valued in dollars in relation to technological structure of capital investment of our country only, also ended up being overstated. Our poor quality goods were assigned the same value as their high quality foreign counterparts. These are just a few examples in the area of methodology that contributed to the overstatements in comparative evaluations. But, on the whole, it is clear that the calculations schema used in the past led to considerable errors in the results.

The statistical yearbook "USSR National Economy in 1988" contained only one international index of the USSR-U.S. physical volume, calculated by the gross value of national income—64 percent. If for nothing else, this index was already suspicious because it stayed on the same level—according to official statistics—during 1986-1988, although at the same time the book stated that the rate of growth in this indicator during these years was 1.2 times higher in the United States than in the USSR.

By UN Program

The new approach to international comparisons manifested itself in the fact that the USSR Goskomstat [State Committee on Statistics] switched from the departmental principle of statistical comparisons, accomplished by in-house resources, to regular systemwide comparisons, conducted jointly with statistical organs of foreign countries and international organizations.

The USSR joined Phase VI of the UN International Comparisons Project (UN ICP) that set as its goals: to compare economic development level of certain world countries; to determine the purchasing capability of national currencies; to establish the potential level of

contributions into the budgets of international organizations that different countries can afford.

The UN ICP has been implemented since 1970. About 60 countries participate in this joint statistical work. Phase VI is the comparison of the 1990 data. Part of the UN ICP is comparison of gross domestic product (GDP) and its most important components. Participation in the UN ICP will make it possible to accomplish work on intercountry comparisons using the methodology accepted in international practice, to do it openly, together with foreign colleagues, and to test with them the validity of results. This "certificate of quality" is very important for our statistics.

An important part of doing intercountry comparisons on the basis of generally accepted world statistical standards is the fact that since 1988, in addition to the system of aggregate national economy indicators (national income, public product, etc.) the practice of Soviet economic calculations includes another statistical indicator that is widely used in foreign countries and in international statistics—GNP.

The data on USSR GNP and its most important elements (final consumption by the population, final expenditures on state services, gross accumulation—including amortization of capital funds) during the period of 1985-1989 are published in the "Concise Statistical Collection" and "Statistical Yearbook," published by the USSR Goskomstat in 1990.

The unification of the contents of the component indicators of GDP, which requires the efforts of a large number specialists in both the balance and the branch parts of national statistics, is the first stage of international comparisons done by UN methodology. The second and the most labor-intensive type of work in conducting this type of comparative analysis is the determination of the real parity of the currencies on the basis of prices for the unified consumer basket of goods and services.

The comparison of GDP within the UN program is done by the world regions. For the implementation of Phase VI, the Soviet Union is included in the so-called Second European Group, which also includes Austria, Hungary, Poland, Czechoslovakia, and Yugoslavia. Austria serves as an anchor country, that is, all other countries of the Second Group will conduct two-way comparisons with it. At the same time, Austria participates in multilateral comparisons within the framework of the EEC and OECD. The results of these comparisons can be used to compare the USSR with practically any developed country in the world.

The USSR Goskomstat must supply prices for the list—mutually agreed on with the Austrian statistical administration—for about 800 consumer goods and services, about 300 investment goods and 19 construction projects. The USSR Goskomstat does not have enough in-house resources to conduct such a large specialized

statistical survey. To accomplish this task, expert specialists from other departments have been brought in on a contract basis. In September 1990, the USSR Goskomstat and the Austrian Central Statistical Administration delegations, together with experts from the World Bank and OECD (the World Bank and OECD participate in the coordination and financing of the UN ICP work in the Second European Group), met to discuss methodological and organizational matters. The discussion was continued at a similar conference in Vienna (December 1990).

Besides participation in the UN comparisons, USSR Goskomstat, together with the FRG Federal Statistical Administration, is now conducting a joint comparative analysis of the 1988 data using UN IPC methodology.

In Comparison With Hungary

The results of Phase VI of the UN international comparisons will not be available before the end of 1992. This is a rather lengthy period of time. In order to speed up the availability of information that will permit reevaluation of the previously published data on international comparisons, the USSR Goskomstat has conducted an experimental comparison with Hungary on the basis of the 1985 data by the methodology used in Phase V of the UN IPC. Hungary was chosen because it had participated in comparative research within the framework of Comecon [CEMA], as well as in all the previous phases of UN IPC, and it is a member of the same group as the USSR and Austria in Phase VI. The Hungarian Central Statistical Administration made available all materials needed by the USSR Goskomstat to conduct the comparisons and rendered consultative methodological help.

For the purposes of this research, 400 consumer goods and services, about 90 investment goods, and nine construction projects were selected. Also, considerable work was done to define the components of the GNP structure (by 53 groups of goods) in accordance with the international schema used in international comparisons done by the UN and in determining the parity of currencies by these groups of goods (see results in the VESTNIK STATISTIKI No. 11, 1990).

The information on the price level for these goods and services permitted indirectly (by the chain method of USSR-Hungary, Hungary-Austria, and Austria-U.S. comparisons) determination of the parity of the ruble in relation to the U.S. dollar, and thus determination of an approximate correlation in the level of economic development between the Soviet Union and the United States.

The Results of Calculations

What are these—so far experimental-results? Our national economy, in accordance with world statistical standards, reached, in 1985, only the level of 43 percent of the American economy.

The USSR per capita GNP in 1985 was only 37 percent of the American one. This is substantially different from the previous USSR Goskomstat estimate of 48 percent.

The results of the calculation also show that comparative data on the standard of living in the USSR and the United States, previously published in USSR Goskomstat documents, had been overstated. In 1985 the per capita final consumption—families' consumption spending and the state organizations' spending on the provision of free services in health care, education, and social security—was believed to be 31 percent of that in the United States; experimental calculations show it to be 26 percent.

The per capita final spending on general state purposes (administration, defense, law enforcement, maintaining the road system, etc.) comprised 78 percent of the corresponding indicator in the United States, while the per capita gross accumulation was 102 percent.

Taking into account the real dynamics of USSR national economy in the period since 1985, we may assume that, unfortunately, this gap in the economic development level of our country in comparison with the United States has become even wider. For instance, the per capita final consumption in 1988 is already estimated to be one-fifth of that in the United States.

These results of the experimental international comparisons are just estimates. However, it is beyond doubt that this provides a principally new approach to the comparisons of the economic potential of the Soviet Union and the United States. Its most effective use may become possible only with the full implementation of the UN program and, if favorable conditions exist for that, with direct two-way cooperation between American and Soviet statisticians. [Begin description of pie-chart graphics] Left pie: Structure of USSR GNP in 1985—Final Consumption by the Population 54 percent, Gross Accumulation 32 percent, Final Spending by State Organs (as Percentage of the Sum) 14 percent. Right pie: Structure of U.S. GNP in 1985—Final Consumption by the Population 72 percent, Gross Accumulation 16 percent, Final Spending by State Organs (as Percentage of the Sum) 12 percent[end description of pie-chart graphics]

[Begin description of bar-chart graphics] Heading: Correlation Between the Level of USSR and U.S. Economic Development in 1985 (USSR as Percentage of the U.S. Level). Left bar chart: Heading—Total GNP: GNP—Experimental Comparison Using Methodology of UN Project Phase V (1990)—43; GNP—USSR Central Statistical Administration Data (1986)—56. Right bar chart: Heading—Per Capita GNP: Per Capita GNP—Experimental Comparison Using Methodology of the UN Project Phase V (1990)—37; Per Capita GNP—USSR Central Statistical Administration Data (1986)—48[end description of bar-chart graphics]

Role of RSFSR Foreign Trade Bank Explained

91UF0479A Moscow ROSSIYSKAYA GAZETA
in Russian 12 Jan 91 p 1

[Article by Sergey Panasenko: "Chairman Valeriy Telegin of the RSFSR Foreign Trade Bank Says: 'Open the Gates for Western Capital!'"]

[Text] An aggressive export policy and the active encouragement of Western investment are the main points, in the opinion of Chairman Valeriy Telegin on the Russian Foreign Trade Bank, on which the republic's strategy of national economic recovery should be based. The Foreign Trade Bank, which was founded in summer 1990, is prepared to play first violin.

Today exports and Western capital are no longer merely the subjects of idle talk. Nevertheless, this kind of statement is particularly significant when it is made by the head of a bank whose functions include the crediting of republic-level foreign economic projects and programs.

Along with the establishment of the Central Bank, the founding of Russia's own foreign economic bank was an objective of the reform undertaken last year in the Russian banking system. Whereas the RSFSR Central Bank was able to use the personnel and infrastructure of the former republic bank of USSR Gosbank, however, the RSFSR Foreign Trade Bank had to start literally from scratch. It is true that this was good in some respects: It provided a chance for the unimpeded implementation of the new idea of structural organization.

In accordance with this idea, the republic will be divided into seven or eight economic regions, each of which will have its own bank branch with a high degree of autonomy and self-sufficiency. It will be this branch, and not the Moscow Foreign Trade Bank, that will work with commercial banks in the region.

"But we do not intend to lead anyone around by the hand for long," Valeriy Telegin anticipated my next question. As soon as a commercial bank feels that it can "stand on its own feet," it will receive a license from the Foreign Trade Bank and will conduct operations in foreign markets autonomously.

This will probably take at least another year or year and a half, but even then the commercial banks will operate strictly within the guidelines established for them by the Russian Central Bank.

The main function of the Foreign Trade Bank will not be the "patronage" of other banks, but active participation in the financing of export and investment projects. This, however, does not mean that the Foreign Trade Bank will finance unprofitable transactions on orders "from above."

"I have read drafts of orders instructing the bank to extend credit at an interest rate of 0.5 percent," Valeriy

Telegin said, "but this rate does not exist in the marketplace! This means that the state will have to compensate us for the difference out of its budget."

This is done all over the world by special government institutions, usually agencies of finance ministries. They reimburse the banks crediting export operations at preferential rates for the difference between these rates and market rates.

Nothing like this has ever been done in Russia, or even in the USSR, but Valeriy Telegin says that a decision has already been made to create this kind of agency in the republic Ministry of Finance.

In addition to crediting projects, the Foreign Trade Bank will also underwrite various projects—of course, after thorough expert appraisals. For this purpose, the bank will have an investment and appraisal administration.

As for foreign investment, people in the Foreign Trade Bank (and elsewhere, of course) are waiting impatiently for a law on foreign investment in the RSFSR, the draft of which Valeriy Telegin described as "an interesting and intelligent document." He expressed bewilderment about the corresponding union law, "because they are procrastinating," even though the bill was drafted long ago.

"As a banker, I am for the union," he said. He is not enthusiastic about the idea of a separate republic currency: It is unlikely that Russia would follow the example of other republics taking this step. In this kind of complicated situation, the union government's decision on the mass-scale appropriation of hard currency receipts from enterprises does not seem reasonable.

He feels that "this decision will not bring enterprises to their knees, but it will ruin all of the good things that have been done during the years of perestroika in the foreign economic sphere."

The Foreign Trade Bank has already taken several steps without waiting for government decrees. Regulations governing the ruble accounts of foreign firms are already being formulated, even if only in a rough draft, in the bank. At this time, only restricted accounts, to be used only for specific purposes, such as the purchase of real estate, the payment of wages and electricity bills, and so forth, are being considered.

In Valeriy Telegin's opinion, the bank should take a chance and begin exchanging each dollar not for 1.8 rubles, but at least three times as much—i.e., 5.4 rubles.

This would facilitate the transfer of profits abroad, which is an extremely acute problem under the conditions of non-convertibility. Because funds are invested in joint ventures, concessions, and real estate, profits can also differ considerably. Telegin said: "I am firmly convinced that the profit on invested capital should be transferred freely at the commercial rate of exchange. The profit generated by price differences is another matter. This would quickly bankrupt us."

In any case, the channel for the conversion of rubles into hard currency through currency auctions must remain unobstructed, and this currency should be transferred out of the country freely.

The transfer of profits is far from the most troublesome aspect of the difficult problem of foreign capital investment in the USSR and in Russia. Will Western businessmen be satisfied with the approach of the Russian Foreign Trade Bank? Will it attract their capital? It is too early to say, but one thing is clear: It will be exceptionally difficult to start the market up in the country without foreign capital.

The foreign debt of the USSR, which is still growing and which has reached, according to the latest estimates, 60 billion dollars, is still a serious obstacle to Western investment. Apparently, the administrators of the Russian Foreign Trade Bank do not agree with the union government on this matter, although they do feel it is important to sign a union treaty. Valeriy Telegin, incidentally, feels that the treaty will be needed to keep the USSR as a guarantor. The procedure for dividing the debt among republics, in his opinion, should be decided next.

"If it is divided reasonably," he said, "we in Russia could map out our debt repayment policy. There are many different methods...."

Contrary to expectations, the Russian Foreign Trade Bank has established an excellent relationship with what would seem to be its main rival—the USSR Foreign Economic Bank. Valeriy Telegin received his appointment on 17 August, and on 22 August he was already signing a protocol on cooperation with the USSR Foreign Economic Bank, which seems to have averted a protracted "bank war" beyond our borders.

The 48-year-old chairman of the Russian Foreign Trade Bank began his career almost a quarter of a century ago as a bookkeeper in a branch bank and then served on the board of USSR Gosbank and worked in the Moscow People's Bank in London. Before this latest appointment, he was the deputy chief of the foreign currency administration of the USSR Gosbank Board and chief of the division for the planning and coordination of foreign economic operations. Last May he attended courses for top-level managerial personnel at Pennsylvania State University.

Vladivostok Officials Decry Inaccessibility to Foreign Business

91UF0464A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 12 Feb 91 p 1

[Article by KOMSOMOLSKAYA PRAVDA Correspondent S. Avdeyev: "Forced City: Will Zolotoy Rog [Golden Horn] Become a Horn of Plenty?"]

[Text] "...This was the resplendent and enchanting city of Vladivostok in which the following mundane saying

was circulating at that time: For complete happiness, you need a Russian wife, a Chinese cook, and a Japanese servant."

My one wife, who fulfills all three roles and who has had it up to here, is already returning from Vladivostok's stores for the umpteenth time empty-handed and with unredeemed ration cards. For complete happiness, there is not enough macaroni, milk, or butter, without even talking about meat or sausage.

The building where the KOMSOMOLSKAYA PRAVDA correspondent's office is located stands on the corner of Semenovskiy and Kitayskiy streets. It is true that now these streets are named Kolkhoznyy Street and Okeanskiy Prospekt, respectively, and in this small metamorphosis I see one of the signs of the large metamorphosis—that same one that happened to the city and to all of us after we had set out on the path toward radical social changes at the very beginning of the century.

It seems that today neither we ourselves nor our potential enemies any longer doubt that we are invincible. And the enormous region as before is an impregnable fortress. Just several months ago aircraft landings have been authorized at Petropavlovsk-Kamchatskiy and Yuzhno-Sakhalinsk without special permits. Vladivostok was opened after M.S. Gorbachev's visit but only for Soviet citizens which, as we all know, did not make the residents of any of these cities rejoice. They were waiting for something else—opening not from the inside but from the outside.

"Foreign businessmen are ready to invest their capital under the most beneficial conditions for us—against future profits," said Primorskiy Krayispolkom First Deputy Chairman I.L. Chernyanskiy. "They are proposing development of coproduction, construction of roads and airports for us, and development of agriculture and communications. We need their dollars like we need air and so far they are offering them to us. But we have been forced to reject any investment which any government can only dream about: The USSR Naval Main Staff has only one answer to all of our requests to Moscow about authorization for some joint operation or other: "Primorskiy Kray, including Vladivostok, is restricted for visits by foreign citizens. The Pacific Ocean Fleet's main base with its special mode of operations is located in Vladivostok...."

We all precisely know that the foundations will be laid for four hotels and eight foreign missions on the day Vladivostok is officially opened. And today we already do not want to doubt the fact that the "Soviet San Francisco" will be opened sooner or later. Really neither the local UKGB [Administration of the State Security Committee] nor the Pacific Ocean Fleet Commander object. In the words of Vice Admiral N.I. Martynyuk, today there are already no secrets here that are not known to foreigners.

Besides, the city is already de facto practically open. From two to ten foreign delegations visit here by private

invitation daily. But, unfortunately, business people leave carrying the same things they arrived with.

"With every passing day, Vladivostok is increasingly becoming the city of lost opportunities," asserts Gorskoy Deputy Chairman Yu.A. Avdeyev. "Who, when, and why did they 'restrict' it? We made the request and they answered: There are no documents on this subject in the Primorskiy Kray Archives. Then we made a decision at our session: To proclaim Vladivostok open for entry and residence for citizens of any country and its territory—open for free entrepreneurship with the participation of foreign capital. Well, then what? The banks, customs, and the border guards are really subordinate to the center and not to us."

Today there are more than 100 such restricted cities in Russia alone. The majority of them are seaports. Among them, Vladivostok is most suitable for development of foreign economic and political ties. But for now a somewhat different picture opens to those who arrive from its external roadstead: Steel gray hulks stand in rows at the berths in the very center of the city at Zolotoy Rog's bay....

Labor Official on Soviets Working Abroad

91UF0478A Moscow TRUD in Russian 13 Feb 91 p 3

[Interview with A.S. Chernyshov, deputy chairman of State Committee of USSR for Labor and Social Problems, by Ye. Shulyukin: "I Want To Go Abroad"; Soviet Citizens Who Express This Wish Often Have No Idea of Where They Will Go, What Kind of Job They Will Have, and What Kind of Working Conditions They Will Encounter"]

[Text] The State Committee of the USSR for Labor and Social Problems and the General Confederation of USSR Trade Unions have been getting more applications from citizens wishing to work abroad. They say that they have received offers from certain commercial firms, have signed contracts with them, have paid money for this, and now, in their opinion, the State Committee for Labor and Social Problems is obligated to help them get settled in these jobs. What is going on? We asked committee Deputy Chairman A.S. Chernyshov to explain the situation.

"First of all," he said, "I want to say that neither our committee nor the trade-union confederation has any connection with the offers or the contracts signed by private individuals with cooperatives and other commercial organizations engaged in the placement of Soviet people in jobs abroad. We have no obligations in any of these transactions. We are disturbed by the heightened activity of these mediating firms, and for many reasons. Above all, they often lack the necessary authority and have an oversimplified view of the real problems that arise when citizens of the USSR seek jobs abroad. This kind of activity misleads gullible people and misinforms them with regard to the working conditions and social protection they can expect.

[Shulyukin] Do they misinform them or deceive them?

[Chernyshov] Both. We get phone calls from many republics and oblasts in the RSFSR demanding that we send people abroad. "We have filled out applications, signed contracts, and paid money. Why," the irate voices ask us, "are we still here?" When we ask to whom they paid the money, they cannot give us a straight answer. These are clear cases of the most genuine fraud and deception. This unscrupulous practice is being conducted on a massive scale, and gullible people are being swindled out of millions of rubles. We want to address an earnest request and warning to the readers of TRUD: Be careful. Do not put your trust in suspicious "businessmen."

Some firms do manage to get our citizens jobs abroad, but these are illegal or only semi-legal jobs. This could create many problems for them. When illegal workers are discovered by the police or by financial inspectors, they are fined and then deported. If they do not have the money to pay the fine, they go to prison. We have already heard that some Soviet citizens are serving prison sentences in Austria for this reason. The lack of social protection for illegal workers is equally dangerous. If a person gets sick, loses his job (and an illegal worker can be thrown out at any time), or suffers an accident on the job, he cannot expect any reimbursement for his expenses and he certainly cannot complain to the authorities.

I want to repeat that our citizens should know the risk they are taking when they deal with unofficial employment agencies.

[Shulyukin] A free entry and exit law is now being drafted in the USSR Supreme Soviet. People are saying that when this law is passed, each Soviet citizen will be able to go wherever he wants and look for a job without the help of dubious middlemen....

[Chernyshov] It is not that simple. To get an entry visa to a country, a person will have to have a job offer from an employer in that country. The employer will have to prove that there are no local qualified workers before he can get permission from his labor ministry to make this offer. The labor market in all of the developed capitalist countries is overflowing. Several countries have traditionally hired unskilled workers from specific countries. The FRG hires mainly Turks, France hires Algerians, Moroccans, and Tunisians, and so forth. Many countries have laws restricting or prohibiting additional immigration.

Now that millions of Soviet citizens might have the chance to look for jobs abroad in the near future, many states are instituting prohibitions. Their governments and trade unions are upset by this prospect. We and the trade-union confederation have already received complaints, for example, from Finnish trade unions, which insist that the arrival of many Estonians in their country will complicate their struggle in defense of the Finnish worker's standard of living.

[Shulyukin] There is no free exit law yet, but our citizens have managed to get to the West in some way....

[Chernyshov] They use all kinds of tricks. They go as tourists, on invitations from private individuals, who are sometimes fictitious. Then they try to prolong their stay by finding work, usually in the most unappealing and illegal kinds of jobs. In addition, more and more Soviet people are leaving to visit relatives and not coming back. This is a case of the wish to reunite families. They are also filling the labor market, and many people accustomed to intellectual work have had to take jobs as dishwashers in restaurants, as janitors, etc. We have received reports of this from Israel and other countries. The rate of increase in this kind of emigration can be judged from the official data of the Ministry of Internal Affairs: 4,000 left in 1986, 29,000 left in 1987, 75,000 left in 1988, 235,000 left in 1989, and last year the figure was already 600,000.

[Shulyukin] All of this is true, but is there any chance of finding work abroad through official channels?

[Chernyshov] We are currently discussing the matter with the appropriate agencies in several countries. An agreement with the FRG is being drafted, we are negotiating an agreement with France, we have begun a dialogue with Finland, and some opportunities have come to light in Sweden and Austria.

I can cite an example to give you some idea of the results of these agreements. We have reached an understanding with the FRG on the signing of an intergovernmental agreement which will allow us to send 15,000 of our workers to Germany each year. The figure is low, but it is important to begin by perfecting this new mechanism of migration. The entry of the FRG by our workers has been prohibited by a decision of the Common Market. We will send them there for one to three years to improve their skills, with the stipulation that they must return. The enterprises employing them will take on most of the responsibility for their social protection.

[Shulyukin] Who will choose the workers and arrange for their placement abroad?

[Chernyshov] Our committee is setting up a special migration service with local branches, and these will choose the workers on a competitive basis.

[Shulyukin] Judging by all indications, it will be a long time before the migration of our manpower on an official basis can be conducted on a broad scale.

[Chernyshov] Everyone knows that our country has offered to participate in the construction of the common European home, in which social integration will play an important role. We have learned, however, that our cooperation with the West in the social sphere is lagging far behind our political, economic, and even military cooperation. After all, it was thought to be impossible for a long time under the conditions of the existence of the different social systems. Furthermore, we have to admit

that we viewed people who went abroad as traitors. This is why people severed all ties with their motherland when they left. There is some indication that around 30 million of our fellow countrymen live outside our country, but only 340,000 have retained their Soviet citizenship or have dual citizenship.

These attitudes have to be weeded out completely. The Soviet individual who goes to work abroad for any length of time must know that he has a motherland which will protect him and will welcome him back. In fact, the United Nations and the International Labor Organization have adopted conventions obligating all states to protect the socioeconomic, cultural, political, property, and other interests of their citizens in any part of the world.

[Shulyukin] With a view to existing international standards and agreements, what would you like to say about the labor migration handled by commercial organizations?

[Chernyshov] Of course, no one is prohibiting their efforts to place Soviet citizens in jobs in other countries, but they have to be conducted in strict accordance with existing international standards and conventions on the rights of laborers—the migrants and the members of their families—and in accordance with the laws of the USSR and union republics and under the supervision of government agencies.

Contract Delays with Former GDR Firms Seen

*91UF0495A Moscow PRAVDA in Russian 16 Feb 91
First Edition p 5*

[Article by PRAVDA correspondent Ye. Grigoryev:
"Hopefully, the Medicines Will Not Get Forgotten"]

[Text] The first visit to Moscow by Jurgen Mollemaann, new FRG minister of economics, has caused some excited comments. This can be explained by things other than a simple interest in the state and development of Soviet-German cooperation and partnership.

Unfortunately, the point is that economic relations were the ones to experience an unpleasant "gasping for breath" in the new year. Not a single contract has been signed yet specifying supplies to the USSR of goods produced by former GDR firms, even though they have been prepared now to the sum of 8 billion deutsche marks. Agreements between Soviet customers and West German firms totalling 4 billion deutsche marks have also been prepared but remain unsigned.

The delay was caused primarily by problems with the financing of mutual supplies. Since the beginning of this year hard currency was also required for payments on the traditional accounts between our customers and their former GDR suppliers. According to the local press, the issue of contractual guarantees was the main subject

discussed during Mollemann's brief visit to the Soviet capital last Wednesday. The minister considers the issue settled.

The FRG Government is ready to provide financial guarantees for contracts on goods supplied from the new federal lands in the GDR. They are ready to guarantee over 11 billion deutsche marks. On the Soviet side, from now on contracts may be guaranteed also by the governments of Union republics apart from the traditional Vneshekonombank [Bank for Foreign Economic Activity], if the orders were made through the republics. This is a new factor which has been commented upon by economic observers. Considering that a major part of the economic exchange is done on the basis of credits (our problems with hard currency are well known), the German side agreed to extend the time limit on trade credits from five to 10 years. They also agreed not to ask that the customer pay 15 percent of the selling price as a down payment when signing contracts.

Here they see all this as a sign that the road is now clear, which will allow them to overcome the delay in concluding contracts very quickly. According to Mollemann, Prime Minister V. Pavlov assured him that the Soviet side would present its orders within the next two weeks and the majority of them would be given to former GDR suppliers—to a minimum of 9 billion deutsche marks.

In this respect I would like to draw the attention of Soviet foreign trade organizations and those in the government responsible for foreign trade to one disturbing circumstance. The PRAVDA press office in Bonn is receiving literally tragic letters from the USSR. In those letters people implore us to help them get absolutely indispensable medications which stopped coming to our hospitals and pharmacies from the former GDR after the reunification of Germany. They quote concrete addresses which stopped sending the drugs—the Dresden pharmacological factory.

It might be, of course, that the Dresden factory has already been defeated in the tough and merciless competition with the powerful West German pharmacological concerns. But in this hypothetical case the Soviet people could rightfully expect the federal government to provide specific help to restore pharmacological supplies to their full volume.

Soviets Unable To Compete To House Troops

91UF0495B Moscow IZVESTIYA in Russian 15 Feb 91
Union Edition p 4

[Article by I. Zhagel: "No Contest...for Soviet Builders Thanks to the Ministry of Defense"]

[Text] The other day "Vremya" aired a story about the 7.8 billion deutsche marks which the FRG allocated to help resettle the Soviet military families that are returning home from former GDR territory. During the TV interview a German banker expressed his regrets that Soviet building organizations had shown no interest in

the lucrative bids which were to be paid for in hard currency. Most likely the major part of the residential construction program will have to be carried out by foreign firms.

Most TV viewers interpreted this, of course, as another example of our ineptness. The situation is not that simple, however, and here is the reason. A couple of days before the above-mentioned story was aired, several leaders of Soviet construction organizations called the IZVESTIYA office at the same time. Among them were people from Belorussia and the Ukraine. Their calls to us were caused by the 23 January issue of KRASNAYA ZVEZDA, which printed the tender terms according to which "German" construction bids would be distributed. Every caller said that the terms of the contest were such that practically not a single Soviet construction organization could obtain a contract.

The very first item of the tender terms sets a reservation: "The primary contractor should have not less than 10 years (!) of experience in civil and residential construction in a foreign country." This requirement, impractical or simply stupid for many Soviet organizations, could have been discounted as an incorrect translation of some other document that served as a basis for the tender announcement. However, there are too many such "incorrect" details in other items also.

For an explanation I approached A. Solunskiy, USSR Gosstroy [State Construction Committee] deputy chairman, who is also a deputy chairman of this program's special committee. There I heard some strange things:

"The terms of the tender were put together without our knowledge. Practically, the Gosstroy, and therefore Soviet construction organizations, were removed from participating in the program."

But how could that happen? Who was writing the terms that were practically prohibitive for our, Soviet side? The same tender announcement lists the Ministry of Defense, the V/O "Soyuzvneshstroyimport," and the V/O "Tekhnooksport" among its customers.

As for the latter two organizations, I do not think it will be a mistake to say that their well-being as intermediaries is directly proportional to the volume of contracts given to foreign firms. But why does the Ministry of Defense like Western builders so much and so dislike Soviet ones?

The reason for the dislike is clear, however—dissipation of resources, too much time spent on construction. But let us be fair. Our long construction periods are often caused by the lack of funds, by the inferior quality of materials, and by the lack of sufficient equipment. That is what the German marks could be spent on. All the construction organizations of our country, by the way, spend an average of under \$100 million a year to purchase foreign-made modern machinery. You can

imagine how their potential might grow if they could receive at least part of the 7.8 billion deutsche marks.

This issue should be viewed from this particular angle for the single reason, at least, that if we spend the above-mentioned sum of deutsche marks we could provide housing only for one-sixth of all the military who need it. That is by no means a reproach to the German side—we have to be grateful for what they are giving. But it can serve as a reason to think how we could best utilize this aid.

It is clear that we do not just need some number of apartments; we need a powerful construction complex which would be constantly renewing our residential fund. What is more, many of our construction organizations are out of work now due to the lack of funds. Is this the time to send hard currency back, one may say, to other countries?

The intergovernmental agreements concerning the 7.8 billion deutsche marks did mention, by the way, that this money should stimulate the development of the Soviet construction industry. Who did not like these words? At what stage have they been lost? One would think that we ought to be given responses to all these questions.

Results of World Economic Forum Reviewed

91UF0508A Moscow PRAVDA in Russian 20 Feb 91
First Edition p 5

[Report by PRAVDA correspondent I. Melnikov and TASS correspondent Ye. Kozlov: "Who Will Afford the West Guarantees?"]

[Text] Davos, February—In the municipal park of Davos, the celebrated Swiss alpine-climate resort, stands a massive granite block. The inscription carved on it says that it was from here in 1894 that Sir Arthur Conan Doyle, creator of the famous literary character Sherlock Holmes and avid sportsman, started out on his ski run across the Fourcat Pass.

Davos is generally sparse in monuments and memorial plaques. So many monarchs, premiers, and billionaires have been here in the last century, but the people of Davos are in no hurry to embody the memory of celebrated guests in granite and marble. This is obviously not in the Swiss character.... Davos' already high popularity rating has been multiplied in the past two decades by the World Economic Forum held here. Each February it assembles up to 1,000 and more "captains of big economics" from all continents.

The permanent organizer of the forum, Geneva professor, Klaus Schwab, economist and political scientist, originally formulated his idea thus: Man will only live well in the modern world if there are no military conflicts and things go well in the economy. This motto has not become clouded in two decades. The shadow of the war under way in the Persian Gulf currently has, alas, been so extensive that it has encompassed alpine Davos also.

Many of those invited from the United States, Japan, and the Near East countries were unable to come. The presidents of Argentina, Venezuela, Peru, and Uruguay declined to take part owing to security considerations.

The forum agenda also felt the direct impact of the conflict. The majority of those who spoke in the Kongresshaue were of the opinion that its continuation could have serious consequences for the world economy. Jean-Pascal Delamuraz, member of the Swiss Government, spoke bluntly about the symptoms that had already emerged—a decline in the rate of economic growth in many countries and increased uncertainty in business and financial circles. A number of economists called attention to the dangerous unpredictability of the world oil price and the sharp increase in the mass of "dollar fuel" burning in the crucible of war.

We would note for the sake of objectivity that the subject of the military conflagration in the Persian Gulf, however burning, had, for all that, to content itself at the forum with a secondary role. The main attention of the participants was, like last year, focused on the processes occurring in the USSR and the East European countries. And whereas a year ago euphoria evoked by the tumultuous political transformations in the European socialist countries was predominant in the discussions, there was now a manifest diminution in optimism in the forecasts. That the economic reform process would be more difficult than anticipated and would take a long time was the predominant thought.

The greatest interest, perhaps, was evoked by the discussion of the progress of perestroika in the USSR. A special plenary session was devoted to this problem. The nature of the discussion reflected the growing understanding of Western business circles and the community that the difficulties of our transition to a market economy are objective. Touching on the process of rethinking what is happening in the USSR, which is difficult for the West, former French premier Raymond Barre declared aphoristically: "It is not a question of mourning for our hopes but of mourning for our illusions born of our living conditions."

As Horst Siebert, president of the Kiel World Economy Institute, observed, there is a conflict between the aspiration of business people to investments in the USSR and the other East European countries and the political risk associated with this. Has an environment capable of fruitfully "absorbing" investments been created in East Europe, it is wondered. Japanese businessman Akio Mikini pointed to the absence of the requisite information on the conditions and guarantees of investments in the USSR. The Soviet representatives were asked a clear question: To whom should Western entrepreneurs turn for such information and who will afford them guarantees? They did not, unfortunately, obtain as precise an answer.

But it should be said for fairness' sake that a number of very reasonable questions is arising today on the Soviet

side also. They are addressed to both politicians and business circles of the West. Why, for example, is specifically agreed credit to our country "on hold" and why are the references and terms cited here strikingly similar to unconcealed interference in the USSR's internal affairs?

Prince Aga Khan of Saudi Arabia, who presided at the forum, declared with all certainty that the West's business circles should cast aside emotion in their evaluations of the transformations in the USSR and assist the establishment of a Soviet market economy and its integration in the world economy. FRG Foreign Minister H.-D. Genscher also insisted on the need for the development of economic cooperation with our country.

Numerous "special interest" meetings also discussed such aspects of the problem of the economic transformations in the USSR as the development of enterprise and privatization and specific plans for businessmen's participation in these processes.

Nonetheless, the week in Davos did not entirely dispel the fog and concern in respect of events in the USSR, the Swiss newspaper JOURNAL DE GENEVE observed. Although, according to the same paper, it cleared the atmosphere to a certain extent.

'Eksportkholeb' Converts to Joint Stock Company

91UF0458A Moscow SELSKAYA ZHIZN in Russian
9 Feb 91 p 5

[Article by Ay. Balebanov: "'Eksportkholeb: A Return to Its Roots'"]

[Text] "Eksportkholeb" All-Union Foreign Economic Association, well-known in our country and abroad, has been transformed into a joint-stock company at a conference which is being held in Moscow. A SELSKAYA ZHIZN representative also took part in the conference.

"Eksportkholeb" had already been founded as a joint-stock company in 1923 and therefore many of its current founders consider a return to its origins to be quite natural. The company's joint-stock form did not exist for a long time—just until 1935. And then "Eksportkholeb," like other foreign trade organizations, was transferred to government control.

It is curious that until 1962 "Eksportkholeb" totally lived up to its name since it was engaged virtually only in grain sales to such countries as Great Britain, Italy, Egypt, and India. At that time, grain exports totaled nearly 10 million tons and imports a total of two million tons. From 1963 until the beginning of the 1970's, grain purchases fluctuated within the range of 3.5-4 million tons. However, since 1972 its import volume has drastically increased, from the beginning 17, 25, and since the 1980's already 46-47 million tons.

While subordinate to the Ministry of Foreign Economic Relations (MVES), "Eksportkholeb" employees felt that they were constrained by certain limits that restrained

many commercial operations. At least this is what recently elected "Eksportkholeb" Chairman of the Board O.A. Klimov thinks. During a conference break, Oleg Aleksandrovich told me that, for example, "Eksportkholeb" was authorized to conduct market operations just two years ago. The association nevertheless managed to earn more than 10 million foreign exchange rubles in market operations without receiving any state subsidies whatsoever. This entire sum has been transferred to the state treasury. It is not difficult to imagine the scale of the country's monetary earnings if "Eksportkholeb" had been able to independently make the decision on this operation not two, but let us say, five years ago.

What does the newly founded "Eksportkholeb" Joint-Stock Company intend to become involved in? First of all, it will fulfill the state order as previously. Besides this, "Eksportkholeb" plans to continue its market operations and to invest money in Soviet agriculture and in any other sectors within the limits of the assets it has. And so, the company plans to expand its participation in the country's domestic life. And finally, "Eksportkholeb's" joint-stock form will permit it to adjust the financial situation of its personnel. It really is no secret that today cooperatives and joint and small enterprises which are capable of paying five to six times more for the same work are hiring good specialists who already have jobs.

Besides MVES and "Eksportkholeb's" workers collective, many leading kolkhozes and sovkhoses, agricultural associations, concerns, and banks have become company stockholders. The list of stockholders includes Novorossiysk Port and Estonia Maritime Steamship Line, a cooperative, and a number of joint ventures. The company's founders consciously refused the offers of Western firms to become stockholders since they consider their goods to be politically important for the Soviet Union. It is an altogether different matter, conference participants stressed, to utilize foreign companies's skill and capital by creating joint ventures with the stockholders.

Having based their headquarters in Moscow, "Eksportkholeb" Joint-Stock Company is now thinking about opening its own branches both in our country and abroad. These branches will permit substantial improvements in relations with people who are engaged in agriculture in the local areas. As for "Eksportkholeb's" foreign agencies, there are already plans to open such facilities in Great Britain and in Argentina.

The company's ruling organs have decided to hold a meeting for stockholders, the board, council, and auditing commission. The company's initial capital will not exceed R35 million. According to the experts' most modest calculations, the profit per share will total nearly 10 percent by the end of the current year. I will disappoint readers who wish to acquire "Eksportkholeb" stock:

They will not succeed in doing this since all shares have been distributed among the company's founders.

Having become a joint-stock company, "Eksportkhleb" has thereby attempted to escape MVES's excessive tutelage. However, we have learned from reliable sources that the ministry intends to use its right to grant licenses as a pressure lever to get a vise grip on the company. To do this, MVES intends to refuse to grant "Eksportkhleb" a general license and to limit licensing to each specific

operation. If this occurs, the freedom of foreign economic activity that the joint-stock company is seeking to obtain will simply not happen.

Thus, behind—is a great deal of organizational work to create a company and ahead—is an even greater risk and a gigantic responsibility to the stockholders. If "Eksportkhleb" previously could insure itself through the signature of higher-level leadership, now there will be no such insurance. The company's new leaders have only one choice: To act while proceeding based on the principle that risk is a noble business.

Bush Performance as War Leader Assessed

91UF0486A Moscow NEDELYA in Russian No 7,
11-17 Feb 91 p 9

[Article by IZVESTIYA correspondent Aleksandr Shalnev: "The President in an Emergency"]

[Text] New York—The war in the Persian Gulf began at 1847 U.S. EST. At 2100 the head of the White House delivered a television address to the country, which seemed to many people the most emotional and moving of all the public speeches of Bush the President. Bush was at his best, it may be said, and his eloquence was striking.

He even managed to easily avoid those not entirely intelligible and at times awkward gestures and facial expressions that usually accompany his speeches. Bush, who on his own admission is clearly no orator, could this evening, most likely, have given either of his predecessors who have gone down in American history as past masters at television communication with the masses—Kennedy and Reagan—a run for their money.

* * *

The President's address to the country was brief, but full—in substance and, I repeat, emotion.

According to the press, the President was heard that evening by a record number of Americans. I can imagine what it was like on the White House switchboard after Bush's speech: Hundreds and thousands of people called—since the number of the presidential residence may be found in any phone book—to express their opinion on what they had just heard. It is not hard to imagine the impatience with which Bush awaited the reaction of America's citizens to the declaration of war on Baghdad and the attention with which he familiarized himself with the concise summaries received from the switchboard—total calls, so many, of which "in favor" of war, so many, "against," so many; and the excitement with which he conversed with his closest advisers and aides, discussing the events of the first hours of the war and forecasting the development of events—both in the Persian Gulf and at home, in America—in the hours and days ahead.

It is not hard to imagine all this. Only.... Only at 2300 the President of the United States retired.

He always tries to go to bed at this time in order to rise as early as possible—at 0600, 0630, or at 0500 sometimes.

The day before, Tuesday 15 January, the day when the ultimatum to the Husayn regime given by the UN Security Council expired, Bush rose at an unearthly hour, showered and, with his hair still wet, made for the garden to walk his two spaniels. It is said that it was in these moments of early morning solitude, when none of his advisers was around and when even the dogs' barking could not distract the President from his thoughts, that

the final decision to go to war against Iraq was made. A decision made official several hours later in the form of a special presidential order, in which it remained only to put down the precise time of the start of Operation Desert Storm.

But on Monday 14 January Bush had met in the White House with the leaders of Congress. They talked, understandably, about the situation in the Persian Gulf. Bush did not solicit their advice, did not inquire about what, from their viewpoint, he should do, and did not try to ascertain whether he would be doing the right thing, as they saw it, were he, for all that, to decide to declare war on Baghdad. Anticipating somewhat, I shall say that the top leaders of Congress learned of the President's decision when the first aircraft, having taken off from carriers or from ground bases, were heading for Iraq. And I shall say further that six or seven persons at most in the whole of the United States of the thousands and thousands of people who serve in the highest echelons of the Washington administration and who—in terms of their status—have access to top secret information knew of this decision at the time it was made.

The President displayed at the meeting the height of composure and sangfroid. He did not nervously drum his fingers on the polished top of his massive desk, did not draw meaningless lines and monograms on his notepad, and did not drink coffee one cup after another.

Yet it was, after all, only a matter of hours before the decision was to be made—one way or the other—a decision many times more serious in its possible consequences than that which had initiated the invasion of Panama in December 1989 and which, according to the press, had been preceded by the manifest nervousness of the chief of the White House.

Bush is a very emotional individual, inclined to sentimentality, and is prepared even, if the occasion presents itself, to shed a few tears at some sad story or mournful tune. The President withdrew several sentences from the speech he made on television on the night of the declaration of war on Iraq. Each had mentioned—one way or another—the innocent people who might suffer in the war. Rehearsing the speech, the President noticed that his voice stumbled over these sentences and that a lump came to his throat. Bush did not want this to happen on the "live" broadcast also. He did not want anything to skew the image he intended to present to the United States and the world—the image, according to a high-ranking White House staffer—of a "strong leader emotionally confident in himself and his powers."

The sentences concerning the "sufferings of innocent people" were removed without hesitation, although—I am certain of this—they would have been absolutely and sincerely in character for Bush, a man given, I repeat, to flashes of sentimentality. But the way in which Bush comported himself in these decisive hours was typical of all his actions in the period of the Persian Gulf crisis—from the moment that Iraqi forces invaded Kuwait.

Even the White House now is going to no special lengths to conceal the fact that the decision to respond by force was taking shape in Bush in the very first days of the crisis even. Citing people in the know, *FORTUNE* magazine notes that "on 5 August at a meeting at Camp David (the out-of-town residence of American presidents—A.Sh.) General Colin Powell, chairman of the Chiefs of Staff, persuaded Bush that force had to be used massively and swiftly."

All five and a half months separating this meeting at Camp David from the morning stroll in the White House garden with his two spaniels had been a period of the purposeful, persistent and consistent transformation of one decision made not without emotional influence into a decision in which there was no room for emotions and in which all was subordinated to the most complex formulas of calculations that interwove economic, diplomatic, military, financial, and political factors, what you will. Negotiating this transformation, Bush showed that which many people, it has to be said, had previously doubted—his capacity for being both a statesman of the highest rank and a subtle politician.

And the most serious indication of this capacity, in my view, are the nature, scale and strength level of the coalition that Bush was able to put together in these five and a half months, a coalition which includes Congress, the vast majority of the population of the United States, and dozens of foreign states and their leaders. I would like to remind people, however, that in Congress, among the American people, and among foreign leaders there have been, are, and, I am sure, will be serious doubts—if not outright objections—concerning the path that should have been taken in the Persian Gulf. To the credit of Bush and his team, but primarily Bush himself, of course, is the fact that these doubts and objections were either neutralized completely or quelled to the extent where it could be said with a substantial degree of certainty: "The majority is on our side."

Nor, undoubtedly, can we overlook the "Saddam factor," the factor of the very clumsy propaganda ploys to which the Baghdad leader resorted in an attempt to enlist world public opinion on his side, but which in fact produced the directly opposite results. What was the value if only of the television pictures that showed Saddam with "guests of the Iraqi Government"—Western hostages scared to death?

Nor can we lose sight of the fact that by the brutalities rained down on occupied Kuwait the Iraqi president finally turned the public opinion of America, Congress included, against him. It is said that George Bush, having on Christmas Eve familiarized himself with an 82-page Amnesty International report on the crimes of the Iraqi forces in Kuwait, told his advisers: "My conscience is now completely clear. This is good against evil. This man (Saddam Husayn—A.Sh.) has to be stopped." Many Americans used the same words in their comments on the Amnesty report.

But the "Saddam factor," from my viewpoint, is, for all that, a secondary factor. It has merely supplemented and reinforced what Bush and his closest advisers—who have left nothing, absolutely nothing, to chance and who from the very start of the crisis have proceeded from the simple premise "If not us, who?"—have been doing.

Is it not remarkable that in the course of the five and a half months Secretary of State James Baker was practically never in Washington: He went round and round the world, persuading, proving, cajoling, and hinting in order to put together the anti-Iraq coalition. Is it not significant that in forging the domestic coalition Bush spoke in each of his speeches, in each statement, and at each of his news conferences in these five and a half months essentially about the Persian Gulf? And of the speeches there were dozens—in different cities, in different states, and each was emotionally charged inasmuch as in that situation emotions were more effective than appeals to reason.

And, what is most important: The speeches have incited patriotism, which is typical of Americans as it is, but which has now been elevated to the highest extent. All of America is now awash in the stars and stripes. Against the background of this euphoria what in other situations would have been inconceivable has been allowed to pass: The airline company Pan Am has declared that it refuses to carry passengers of Iraqi nationality, even if they have American passports, and the FBI is putting under special surveillance Arabs living, working, and simply present in America, checking up on them at home, talking with their neighbors, and learning, specifying, and interrogating.

There have been protests against these measures, which are openly discriminatory in nature, but so negligible as to be not worth mentioning.

Under these conditions Congress has not been in a position to act as it would, possibly, have acted in a calm situation: It is giving Bush carte-blanche for any actions in the Persian Gulf. In addition, there now arises for the congressmen who at some stage opposed a war in the Gulf and who voted against the carte-blanche the serious danger that at election time the electorate will remember their apostasy.

Military personnel are now heroes. Not only those in the Persian Gulf, where a Purple Heart medal is awarded right away for even the most trifling wound, but also those at home. The attitude toward the military is the same as with us toward pilots in the 1930's—total adoration. And this adoration is not clouded in the least by the pictures that may frequently be seen on television now—pictures of destroyed apartment houses in Baghdad and other Iraqi cities, pictures of maimed Iraqi children. As distinct from Johnson and Carter, who preferred to go into the minutest details of military operations and even—speaking about Johnson—determined the bombing targets, George Bush does not become involved in specifically military matters, having

full confidence in his generals, and at the briefings arranged for him by the Pentagon and the intelligence services inquires mainly after the mood in Baghdad, the morale of Iraq's Republican Guard, and the number of casualties among Americans and Iraqis.

I do not at all exclude, if things in the Gulf go badly and if plastic black bags containing the bodies of dead soldiers begin to arrive in America, the compliments diminishing markedly, ferment intensifying on Capitol Hill, and the peace demonstrations getting stronger. But I am talking about what is happening now, about a situation where Americans' level of support for the war against Iraq roughly coincides with the level of Bush's popularity as President—an incredibly high level of over 70 percent.

What is most striking, it seems to me, is the fact that Americans have proven entirely ready to forget—even if only for a time—the real problems and difficulties they

are encountering to an ever-increasing extent in their day-to-day lives, primarily economic problems and difficulties. After all, in fact, George Bush's popularity level on account of these problems was at one time so low that some candidates who ran at last year's November congressional and local elections publicly declined the support that the White House and the President personally could have given them.

It seems to me that there is already for the historians who will really study the present conflict a most interesting topic: "The Bush Presidency in the Persian Gulf Crisis." Bush, in my understanding, was starting virtually from nothing. In five and a half months he has moved into the category of the strongest presidents America has ever had. And has done so without having resolved a single problem on the "domestic" agenda, but having created for America many problems and dangers on the foreign policy front.

UK Attitude Toward European Integration Viewed

91UF0406A Moscow LITERATURNAYA GAZETA
in Russian No 4, 30 Jan 91 p 4

[Article by Mikhail Ozerov, personal correspondent
(London): "Integration or Sovereignty?"]

[Text] **Each European country now has to answer this question, but for some of them it sounds like Hamlet's question: To be or not to be?**

We know that for many decades foreign countries have seemed somewhat remote and insignificant to the Englishman, but the wave of internationalism and integration that has engulfed the continent has also affected Albion. The time has come for England to decide whether it will join the West Europeans or stand alone.

Judging by the latest public opinion polls, more than half of the English would choose the first option, especially youth—around 70 percent. Many politicians are also responding to the call of the times. Their voices could be heard more clearly after the unification of Germany and the reduction of American troops in Europe.

How could this not remind us that just recently we contrasted the "monolithic socialist community" to the fragile and contradictory Western community? There are few signs left of the monolithic community now that separatism and centrifugal forces have grown so strong in the "fraternal alliance," but Western Europe is already on the threshold of a historic event: By 31 December 1992 it will be a zone without borders or customs, a zone of free movement by people, goods, and capital. The unified market of the 12 members of the European Community (EC), with a population of over 300 million, will be almost the largest and most competitive in the world. The next phase will be the creation of a political union.

Can English politicians plug up their ears when their colleagues in the other countries of the "twelve" solemnly declare that the development of the EC is a compass for the whole continent and even the world?

Today Albion is a diverse conglomerate. When we speak of the inhabitant of Great Britain as an "Englishman," we are making a mistake, and God forbid that we should use this term to refer to people in Scotland, Wales, or Northern Ireland—they are far more expansive than the English!

Patriotism, a love for one's native land, and the veneration of customs and traditions sometimes turn into nationalism or even militant chauvinism, as we have regrettably seen recently. In Great Britain this is happening not only in Northern Ireland. Many of the Scotsmen and Welshmen I know are irritated by the fact that they have to "follow orders from London" and believe that they should manage their own affairs. They are even prepared to resort to force.

The consolidation of the EC, according to the "pro-Europeans," will deal a perceptible blow to nationalism.

The "changing of the guard" at 10 Downing Street was a strong argument in their favor. It is common knowledge that Margaret Thatcher's political ship sank on the reefs of European integration. The Conservative leader's unequivocal "no" to the question of a single EC currency led to another "no"—this time addressed to Thatcher herself by her party.

Some readers might wonder why London is not rushing into the arms of its neighbors if all arguments are in favor of integration.

As a matter, not all of them are.

John Major certainly learned something from the events that catapulted him to Downing Street. When he took charge of the government, he immediately declared: "We cannot influence the future of Europe by sitting on the veranda. We must be active players in the game." And he seems to have begun "playing." At the December summit-level EC conference in Rome, he said that there was "a suitable menu" of problem areas in which the Community could make progress. In general, his tone was radically different from Thatcher's confrontational rhetoric. Although Major did not support the common currency, his partners were satisfied with his first "cruise" into the sea of European integration. Germany's GENERAL ANZEIGER reported that "London has returned to the negotiating table."

The experts I have met, however, tend to agree more with the opinion expressed by another German newspaper—SÜDDEUTSCHE ZEITUNG: "England's European policy is becoming more flexible." They believe that Major's changes are still affecting the style of British policy more than its essence. It was no coincidence that when he spoke with Chancellor Helmut Kohl of Germany and President Giulio Andreotti of Italy in Rome, he asked them not to be in too much of a hurry with integration, reminding them of the upcoming parliamentary elections in England.

"Mr. Major is not likely to make radical changes in England's European policy," remarked London University Professor Robert Clemons. "The prime minister is acting on the same motives as Margaret Thatcher: approaching the unified market cautiously, step by step, while retaining the 'special relationship' with the United States and not giving up one iota of Britain's sovereignty."

John Major also listens to the advice of experts from among the "anti-Europeans." They have warned him that integration will weaken the British parliamentary system. This is of no special importance to Italy and France, because their parliaments do not play a major role, but England would lose its most important political institution.

Their economic arguments are equally substantive. The level of production in England is lower than in other EC countries, and the rate of inflation is higher. Needless to say, it is incomparable to the German economic colossus. This is why Britain has supposedly been assigned the humiliating role of trailing behind the rest of the Community.

Integration allegedly promises no benefits in foreign trade either. Today exports are higher in England than in other West European countries, and the trade barriers erected by America and the Asian and African states will have a disastrous effect on it. "The common agricultural policy will cost us too much," the "anti-Europeans" predict.

Other economists, however, are convinced that participation in the unified mechanism will provide additional incentives for the British economy. According to businessmen, especially the young ones referred to as "new money," patches of land protected by customs barriers and guarded by separate currencies and border gates are a crime against serious business.

France, Italy, and Germany are the most active supporters of integration. Helmut Kohl has compared it to the Rhine: "It flows in one direction, and I have never met anyone who could reverse the flow or stop it. The same thing is happening with Europe." Inspired by the unification of Germany, the chancellor is now promoting another unification—the unification of Europe.

No decision has been made yet as to whether the union will be an association, a federation, or, in the words of Chairman Jacques deLors of the Commission of the European Communities, "more intense political cooperation," but many issues, including some of vital importance to us, are already being investigated, and quite thoroughly at that.

One issue, for example, is aid to the "weak." The "twelve," just as our own republics, are distinguished by different levels of development. The guiding principle of the future unified Europe is that the weak deserve special attention. The principle is already being implemented through the EEC Regional Development Fund. The most backward regions of the Community (regions, not countries!) receive subsidies from the Common Market budget. Where does the money go? It is used primarily for social purpose and the creation of an infrastructure. There are several such regions in Portugal and Great Britain (Ulster and some parts of Scotland), and the use of these subsidies in certain regions of Spain has allowed them to "catch up" with the rest of the country.

This is only the beginning, however, and new funds are being set up now to secure approximately equal conditions for the development of all Community members. They must all feel a sense of membership in the group and not strive only for personal gain. This is the reason for another guiding principle: No coercive decisions! The common currency, for instance, will be instituted in each country when its economy is ready for this.

Another important point is that the creation of a single currency takes precedence over political problems in the plans of West Europeans. European unification will be based on a commitment to human rights, the supremacy of the law, and the condemnation of all forms of racial and ethnic hatred.

The English, just as the other West Europeans, just recently were mere observers of the struggle over the sovereignty of the republics and the future of the union, but now each of them is concerned about whether our perestroika processes are predictable and controllable. The people I speak with do not conceal their fear that the collapse of our state could pose a threat to all Europe—even a military threat, if nuclear weapons should suddenly fall into the hands of irresponsible forces! It would also be an economic threat, especially if the collapse of the USSR should coincide with other crises in the world economy—an energy crisis, for example. "For this reason," they warn, "we do not regard your struggle over the question of 'integration or sovereignty' as your own internal affair. Now that Europe is no longer divided into two ideological bloc fortresses, we have considerable leverage we could use."

We have also discussed the question of whether the option supported by people in our republics might not be preferable for Europe, the option consisting essentially in a process by which the last empire on the continent would disintegrate into small countries and each of these would then converge with the West.

"This would bring about the 'Versailles-ization' of your country and turn it into what Europe was in the 1930s," Leeds University Professor Roy Tyler said. "Besides this, the addition of new variables to the European equation would make it insoluble. The disintegrated Soviet Union would engender the kind of super-nationalism with which no Common Market could cope, especially in view of the improbability of the emergence of any truly sovereign states now that ethnic groups in your country have been intermingled for centuries. The entities that will emerge will simply represent small empires with excessive ambitions and mutual claims. The result will be a precarious zone of exceptional danger to Europe."

Prominent London banker Martin Wyckland is amazed by the intentions of some republics to pursue their own financial policy and print their own currency:

"First of all, this is contrary to all current economic trends. Second, it will require huge financial expenditures. Third, there must be some consideration for the fact that any disruption of the unity of the monetary system will arouse concern abroad, especially among foreign investors."

The people I spoke with frequently said that the USSR was not the only potential source of problems for the Old World. The whole eastern half of the continent, where the former socialist countries are located, is a precarious zone in the economic and political sense. In essence, as

President Francois Mitterand of France said, the two halves of Europe are "traveling at two different speeds," and this is making the situation more explosive.

Which possibilities do the political scientists foresee?

They do not exclude the possibility of the "Balkanization" or—even worse—the "Lebanonization" of whole regions; i.e., their metamorphosis into arenas of hostility and even bloody conflicts. Robert Clemons used the term "Latin Americanization":

"We can only hope that the Warsaw Pact countries do not become Europe's economic backyard and sales market for second-rate goods—in short, an object of neocolonialism. I am not excluding the possibility that they will be viewed as 'second-class Europeans' and treated accordingly."

Another possibility, that Western Europe will become a monolith, is no better. It would be something like a new superpower with nuclear forces and a separate foreign policy. It is clear that this will not please us at all.

I think we have an interest in the quick and successful integration of the "twelve"; only on the condition, of course, that it does not erect barriers on the continent, but, rather, opens the gates to broad ties with us. The unified market could offer more effective and coordinated assistance to our completely disorganized economy.

It would also assist in strengthening the unity of all Europe and eliminating the obstacles that were erected at different times for different reasons (the "cold war," Stalinism, and the present cataclysms in the former socialist camp). The people who are already prepared to throw the idea of the single European territory—which is given different names: the common European home, the home of mutual understanding, and the geographic and historical Europe (Francois Mitterand's term)—onto the garbage heap of history are wrong. More and more new mechanisms of security and cooperation are being established. The earlier conflict-ridden structure is being replaced by a completely different one, founded on a balance of interests. And what a unique forum the all-European conference in Paris was! In short, our continent is capable of becoming a union of states with common institutions to preserve military and ecological security and promote closer interaction in economics, culture, and science.

Only the continuation of democratic reforms in the USSR and Eastern Europe, however, will make this possible. In the event of the restoration of totalitarianism or of armed conflicts, the wall which was destroyed in Berlin will simply be moved further over to the east.

Yes, we are witnessing a historical paradox. Two opposite processes are taking place—side by side and under

the same slogans of democracy and freedom—in a world which has become so interrelated and interdependent: association and integration on one side and division and disintegration on the other. The possible result is that we will not merely be on the sidelines, but completely outside civilization.

We must not forget why Margaret Thatcher had to leave the political stage. She did not want to realize that integration is a dictate of the times.

'Soviet Mafia' Activity in Scandinavia

91UF0452A Moscow PRAVDA in Russian 8 Feb 91
Second Edition p 4

[Article by PRAVDA correspondent Yu. Kuznetsov:
"Criminals for Export"]

[Text] A number of materials were published the other day in the Stockholm AFTONBLADET newspaper describing the ways and methods used by the "Soviet mafia" in Sweden and Finland.

The newspaper quoted the information it got from the police and it also published conclusions made by eminent crime experts from both of these countries. Inspector L. Bjorklund of Sweden's main police administration described, for instance, the extensive operations on shipping stolen cars to the USSR. The highest "demand" exists for the following cars: Volvo-740, Mercedes, BMW, and Audi-100. Other cars are also popular and the "Soviet league" does not spare any money to pay to ordinary thieves as long as the cars get delivered to the port. From there they either go to Tallinn by a ferry or get rerouted through Helsinki, Poland, or Germany.

"We know the new Soviet license plates of many Swedish cars that are being driven now in Tallinn," said Bjorklund. The inspector mentioned that the head of the criminal "league," together with two colleagues, had fled from Estonia on a rubber raft. His colleagues got caught at once after they robbed a jewelry store in Helsinki. They are behind bars serving a long term. The head of one of the criminal Soviet syndicates is now being sought by the police in Sweden.

The biggest concern here, however, has been caused by the operations our mafiosi conduct in the area of ordinary drug trafficking, as well as in prostitute "trafficking." The newspaper names some girls who were lured to Sweden by promises of successful careers in modelling but then were made to work in an entirely different field. It is true that some of the girls were engaged in the oldest profession before—in big hotels of Leningrad, Moscow,

and Tallinn. Their present activity is rigidly controlled by the "syndicate" heads who mete harsh punishment to the disobedient ones.

The newspaper printed a detailed list of all the syndicate operations—from ordinary robberies and thefts,

including shoplifting, to smuggling goods in both directions across the Soviet border. According to the Finnish police commissioner, S. Sillanpaa, "this Swedish mafia" has already established branches in Finland and Germany. "It is very hard to fight against them," said the commissioner, "they got used to operating very carefully while still in the USSR."

SFRY Internal Summit Ends in 'Worst' Case*91UF0451C Moscow PRAVDA in Russian 5 Feb 91
Second Edition p 5*

[Article by PRAVDA staff correspondent Ye. Fadeyev:
"A Cold Shower on a Frosty Day"]

[Text] Belgrade—**The public of the country awaited with special hope a second joint meeting of the SFRY Presidium, leaders of the federal government, and the leaders of the six republics of Yugoslavia. The people still believed that this time negotiations could become a major step toward an agreement on ways to resolve a political crisis.**

However, the worst happened. The delegation of Croatia headed by its president F. Tudjman, leader of the Croatian Democratic Community which won the first multiparty elections, left the hall where this high meeting was being held and flew to Zagreb. It was stated at a news conference in Zagreb airport that such meetings "are useless" under the existing circumstances.

One day before the meeting, Croatia resolutely denounced a campaign against its new authorities. The showing of a documentary on the formation of illegal military detachments in this republic provided the pretext.

Despite warnings by a number of commentators that merely holding "a summit" would not provide a sufficient guarantee of the resolution of the Yugoslav crisis, the outcome of the summit became a cold shower for many people in the country. It is very hard to add anything during these frosty days which have set in very unexpectedly. Let us wait until 8 February—the third "summit" is scheduled for this date.

Croatian Hopes for U.S. Support Noted*91UF0451A Moscow IZVESTIYA in Russian 4 Feb 91
Union Edition p 5*

[Article by Ye. Vostrukhov: "Croatia Challenges the Unity of Yugoslavia. They Failed to Agree Once Again"]

[Text] Belgrade—**Everyone in Yugoslavia agrees that the meeting of the SFRY Presidium on Friday 25 January helped the federation avoid civil war and avert what appeared to be the unavoidable clash of the army with illegal military formations on the territory of Croatia. An agreement secured with the participation of President of this republic F. Tudjman succeeded in relieving the extremely tense sociopolitical situation.]**

Meanwhile, the latest meeting of the Presidium on 31 January did not end in a specific agreement. F. Tudjman and Deputy Chairman of the of the SFRY Presidium S. Mesic left the meeting without waiting for it to end, and flew to Zagreb on the same day. In Zagreb they held a news conference at the airport.

Yugoslavia awaited this meeting of the Presidium with particular hope. Head of the Federal Government A.

Markovic and chairmen of the Presidiums of all federated republics and autonomous provinces took part in it. It was expected that a constructive discussion of the future structure of Yugoslavia which began earlier would be continued. Intensive bilateral talks between republic leaders were held in recent weeks, as well as an exchange of opinions on the federal treaty and mutually acceptable bases and principles for signing it. However, during an exchange of opinions which got under way, first Chairman of the Presidium of Slovenia M. Kucan and subsequently F. Tudjman and S. Mesic made statements to the effect that it was premature to discuss any specific measures, that not all members of the federation had completed bilateral meetings, and that the current situation in the country was not conducive to joint talks.

Well, the situation in the SFRY is extraordinary indeed. The country cannot recover after a shock caused by a documentary recently shown on TV (a lot of footage was shot by a hidden camera) on the formation and armament of illegal military detachments in Croatia and the illegal imports of tremendous quantities of weapons to this republic from adjacent countries, and on preparing an armed rebellion against the Yugoslav People's Army and its "Bolshevik leadership."

The TV broadcast caused a real political scandal, and not only in the SFRY itself but also in some adjacent countries. Documents testified convincingly to a conspiracy against the federation and the violation of its laws. The leaders of Croatia were confused: They alternatively admitted that the film was "authentic" and stated that this was an egregious "forgery" and an attempt on the part of totalitarianism to defame a sovereign democratic state.

President Tudjman journeyed to Vienna in order to try his luck and secure "Austrian recognition of the Republic of Croatia." However, in Vienna Mr. Tudjman was told politely but unequivocally: The Federal Government in Belgrade remains a partner of Austria.

In Croatia, they now expect support... from overseas. F. Tudjman sent a letter to President George Bush with a request to immediately intervene in the course of events in Yugoslavia and defend democratic governments and the results of free elections in Croatia, Slovenia, Bosnia and Hercegovina, and Macedonia (in the opinion of the president, the population of other republics is still under the strong influence of communists).

Apparently hoping for prompt American support, the leaders of Croatia are in no hurry to reach an agreement with their neighbors in the federation and find a common way out of the most serious crisis (to be sure, Mr. Tudjman does not propose to stop hostilities in the Persian Gulf in conjunction with the events in the Balkans). At Zagreb airport F. Tudjman stated: "We left the talks in Belgrade not only because we have things to do at home but also because we consider them useless." S. Mesic added: "They once again want to foist on us the ideas of the League of Communists."

Impact of Hungarian-Croatian Arms Deal

91UF0451B Moscow IZVESTIYA in Russian 6 Feb 91
Union Edition p 7

[Article by F. Lukyanov]

[Text] Budapest—The Hungarian Government admitted in a special statement that in October of last year a Hungarian foreign trade enterprise did deliver automatic weapons to Yugoslavia "on an order made by a company from a third country."

The arms sale scandal and the government statement drew an extensive response in Hungary. The main opposition parties of Hungary condemned the delivery of arms to Croatia and called for setting up a special commission for investigating all circumstances of the case and explanations by the government. Demands of this nature were made during the Friday session of the parliament. For example, it was noted in the statement of a Hungarian Socialist Party representative that the scandal may endanger good-neighborly relations with Yugoslavia and damage the international reputation of the country, as well as the position of the Hungarian minority.

As was noted in the government statement, the Hungarian Government itself believes that delivering weapons to one of the country's republics without the knowledge of the Federal Government in Belgrade was "a routine commercial transaction." The government, and subsequently the Hungarian Ministry of Foreign Affairs, affirmed their respect for the integrity and sovereignty of the SFRY and expressed hope that the scandal will not affect the future development of relations between the two countries.

It is hard to say how the situation will actually develop. Judging by reports in the Hungarian press, the opinion is quite common in Yugoslavia that the Hungarians are deliberately supporting Croatian separatists who seek the disintegration of Yugoslavia, just as Horthy did in his time, sparing neither money nor effort. Also, it should be kept in mind that at one time Croatia was part of the Austro-Hungarian Empire, and there are many people in Yugoslavia who apparently believe that Croatian separatism and a split in Yugoslavia would be advantageous for Budapest.

In these troubled days, forces have come forward in Hungary that are not averse to playing the ethnic card and raising the alarm on account of "the Hungarians of Yugoslavia being in danger."

Naturally, such attitudes do little to promote the normalization of relations between the two countries. Certainly, they are not in the interests of stability and security in Europe.

SFRY Economic Reform Threatened by Republic Separatism

91UF0459 Moscow IZVESTIYA in Russian 9 Feb 91
Union Edition p 5

Article by Ye. Vostrukhov, IZVESTIYA staff correspondent: "Has the Markovic Government Exhausted its Credit of Confidence?"

[Text] Belgrade—The nation awaited SFRY head of government Ante Markovic's pronouncements in the Federal Assembly in connection with the economic program for 1991 with particular interest and hope. The day before, the premier had conducted a meeting with heads of republics and autonomous provinces and had participated in a session of the federation's presidium at which he briefed its members on the basic directions of economic and political reform in the current year.

At the same time as it presented its plans for the future, the cabinet headed by A. Markovic also reported on its action program—a program that initially agitated all Yugoslavia—in the previous year. I remind you that a year ago, the government promised to make the enfeebled Yugoslav dinar convertible literally overnight (to be sure, an unusual, New Year's night) in order to overcome the economic crisis, galloping inflation, and rising prices. Probably the most astonishing thing was that the cabinet kept its word: the innovative reform program it developed began working immediately. The dinar truly became convertible "after 1 January." Inflation was halted in the first quarter and was in general reduced to zero in the second. The Yugoslav economy and foreign exchange financial policy were reformed in accordance with the demands of the market.

The plan for the first stage of the reform—calculated for January-June of last year—was implemented almost entirely. Prices in the Yugoslav market have already formed freely for three-fourths of the goods produced in the nation. The liberalization of imports expanded the influx of excellent foreign goods that "struck" at local monopolists who had up until then forcibly dictated the prices charged for domestically-produced products. To be sure, in addition to economic market-oriented regulators, the government also used administrative, "command" regulators (which, incidentally, were approved by experienced International Monetary Fund consultants), which controlled, for example, prices in the power industry, in the municipal services sphere, and in drug production. To be sure, in the first half-year, it was not possible to maintain the planned rate of decline for industrial production: it declined by 10 percent instead of 5-6 percent compared with the first half of 1989.

However, the government did not encounter only economic difficulties, which it had in general foreseen. Speaking in the Federal Assembly at the end of June, A. Markovic was forced to declare to the deputies that the ultimate success of the reforms depends not only on the quality of our programs, but chiefly on national unity, mutual understanding, and consent.

Not only the nation's system of economic management, but its sociopolitical structures as well have changed on the initiative of the government. For the first time since the war, truly free, multiparty parliamentary elections have been held in all republics, and it has been possible to destroy the monopolistic leading role of a single party. However, the growth of pluralism and glasnost has been accompanied by sharper contradictions between individual republics and by increasingly frequent, bitter ethnic conflict in one place or another.

In the first half of last year, the convertible dinar, the single national currency, and general confidence in the government that had so successfully launched bold reforms, helped to extinguish interethnic conflicts and disputes between ambitious republic authorities. Everyone was fascinated by the economic reforms and by the federation's market that was born before their very eyes. A. Markovic was met with applause wherever he spoke. But unfortunately, the intensity of political passions and emotions increased significantly in the second half-year in all republics without exception. The concerns about the economy and the reform became secondary. The stormy process of creating new parties and movements, including those with a nationalistic orientation, began everywhere. In July Slovenia proclaimed its sovereignty as a republic and the supremacy of republic laws over federal laws. In December it held a referendum in which the majority of the population spoke out in favor of an "independent republic." Croatia also recently adopted a new constitution that opens the door to its secession from the federation. There were noisy pre-election meetings and discussions in Serbia, Macedonia, Bosnia and Herzegovina almost up until the new year.

A. Markovic's cabinet acted exceptionally correctly but firmly in this situation. It tried to avoid hasty declarations about the future structure of the state. It did not enter into discussions about what awaits Yugoslavia—a federation or confederation—in the belief that such a discussion can only inflame passions and ultimately lead everyone to an impasse. The government launched a search for points of contact, for a definition of principles governing the new union of people. On the initiative of the government, an Alliance of Yugoslav Reform Forces—a new mass movement whose goal is to protect the political and economic reforms being carried out by the federation—is being created. "Markovic party" organizations exist in all republics today. They have participated not unsuccessfully in the parliamentary elections held. The alliance is preparing for this year's elections to the SFRY Federal Assembly.

But this is what is surprising: some leaders of republics have perceived the government's initiative as an attack on their authority and suddenly view A. Markovic as a future rival in the pre-election struggle.

Attacks are raining down on the premier not only for the creation of his "own party." Also coming under the fire of criticism is his program of financial, economic, and

other reforms which only yesterday did not evoke anyone's particular doubts and objections. It is maintained that the government programs are wrong and harmful and lead to the ruination of the national economy, to the destabilization of society, and to the lowering of the population's living standard. First to oppose government measures in the economy were Slovenia and Croatia, which resolved to pursue their independent "national policy" in all areas including the economy. The federal government's policy of a unified market has become a brake on the implementation of their own reforms. And even Serbia, which had staunchly defended the principles of the Yugoslav federation, suddenly also rejected the government's course.

The final months of last year became critical for the Yugoslav reforms. By that time almost all prices on goods had formed freely depending on demand and supply. The transformation of state and public property into mixed, joint-stock, private property continued. A new law abolishing limitations on wages was adopted. In accordance with the demands of the economic reform, all personnel at industrial enterprises gradually are becoming their owners and are acquiring stocks. This solves a twofold problem: the privatization of public property and the formation of accumulations from a certain portion of the wages distributed among the work force in the form of stocks. Financial and foreign exchange policy continued to be directed toward the strengthening of national monies and of the convertibility of the dinar.

However, both external and internal circumstances intervened in the course of the reform. Inflation once again loomed threateningly in connection with the unprecedented drought and harvest losses, with the reduction of oil deliveries, and with the systematic increase in the prices of various types of fuel. It amounted to seven-plus percent in September and over eight percent in October. It was, moreover, not possible to halt the drop in production.

Add to this various kinds of ethnic conflicts, mutual accusations and strife between republics, which do not by any means promote the growth of labor productivity. Nevertheless, economic complications and attempts by certain republics to block reforms did not stop the government. Furthermore, even under these most difficult conditions, it was able to find the way out of a very dangerous situation. Urgent measures taken by it jointly with the National Bank of Yugoslavia in the last two-three months made it possible to overcome inflation again. This has been facilitated by the nation's sizable hard currency reserves, which have increased by about one and one-half times since the beginning of the year; by the intelligent regulation of demand and supply; and by urgent measures to restrict social consumption and payments.

The cabinet's economic policy is essentially not changing. To the contrary, important steps will be taken for the further development and strengthening of market

relations. Special attention will continue to be devoted to anti-inflationary policy, to monitoring social consumption and wages, which should remain within sensible limits, i.e., within the framework of the federation's material potential. Payments and expenditures, including budget payments and expenditures, must be real, must be earned, and must be monitored monthly. In this regard, the government has proposed a package of specific measures and a draft wage law in the current year. If the plans can be realized, Markovic declared, annual inflation will range between 30 and 40 percent but will not be higher. It will be entirely possible, he noted, to correct the dinar's exchange rate on the basis of our economic and financial policy.

The government set the new exchange rate of the dinar vis-a-vis the German mark at 9:1 as of 1 January. Structuring of the money and capital market and the creation of private and mixed capital structures will continue, thereby creating 100,000 jobs (last year the "private" sector hired more than 50,000 persons).

Production is also expected to decline now, but this is the inevitable consequence of the restructuring of the economy, because by no means all enterprises are capable of withstanding competition in the market, and to continue financing them at state expense means incurring further losses and promoting inflation. This year agriculture will receive more than six billion dinars from the federation's budget alone.

However, there are many inside and outside the nation who doubt the successful continuation of nationwide reforms. They say that a unified Yugoslavia does not exist. Observers ask: is the whole drama of the present situation in the SFRY being presented by the federal government? A. Markovic has spoken of the worsening of the situation in the republic from the podium of the Federal Assembly. He believes that the government is firmly grounded in a realistic economy. Regardless of how the republics act—within the framework of a single state or independently, whether they belong to one or another political system—it is impossible to skip over the problems of the transitional period. In the government's opinion, the "price of transition" will be much lower if we for the time being go through it all together. It hopes that all republics will support measures ensuring the functioning of the federal state during the period of transition prior to the signing of a new agreement on the structure of Yugoslavia.

In A. Markovic's opinion, it will take at least four to five more years to complete the reforms begun in the nation. But today it is difficult to answer even this question: will the government be granted conditional confidence, if only for the present year?

Zhivkov Interviewed on Arrest, Trial

91UF0506A Moscow LITERATURNAYA GAZETA
in Russian No 7, 21 Feb 91 p 4

[Interview with Bulgaria's T. Zhivkov by LITERATURNAYA GAZETA special correspondent L. Reznikov; place and date not given; published under the rubric "Past Leaders": "Todor Zhivkov: 'I Invite the World Press'"]

[Text] It would seem that history has passed its sentence on them. But they are still around. Their words are listened to. Their thoughts please many people. Their past deeds inspire some of today's political leaders.

No, it is not without purpose that just at this time their voices have become louder and firmer. The current attack on democracy gives them hope.

Let us listen to some of them, the past leaders. And let us remind them of that past which pleases them so much.

That will be useful not only for the past leaders but also for present ones.

And, perhaps, for future leaders.

Todor Zhivkov does not see journalists. He is awaiting the beginning of his trial. But he made one exception—for Leonid Reznikov, LITERATURNAYA GAZETA special correspondent.

[Zhivkov] First of all I want to emphasize that I have been treated like a vandal: My arrest, the investigation, and now the rigged trial. There is no basis for accusing me of criminal offenses. When I was arrested the impression was created that the entire state machine was organized against me. But after I was freed, I realized that the majority of the witnesses that were questioned had said good things about me and defended me. But I have been deprived of the opportunity to speak before the Bulgarian people, to inform them of the situation I am in, and to refute the entire lie aimed at me.

[Reznikov] How can your former friends and allies act at the trial?

[Zhivkov] It is difficult for me to say right now how they will act. The situation in Bulgaria is complicated. A "witch hunt" has begun in the country. As it has turned out, many people can change their morals and conscience. But those are only individual people. I think that the majority will speak in my defense. As for my associates and public figures on the international level (and I have visited almost all the world's countries), my relations with them as the leader of the state and the general secretary of the party were honest. Honest—they, I believe, will all confirm it. I hope that if these people have information (I still have not had the opportunity to present that information to them), they will raise their voices in my defense because I have been undeservedly discredited and humiliated. They will speak out against this rigged trial. I would like to emphasize once more

that I am relying on political figures and leaders of states with whom I collaborated. I hope they will remember my candor and my honesty in my relations with them at the time I represented Bulgaria.

I wish to mention the Soviet Union separately. Our relations with the USSR were friendly and fraternal. I cannot imagine the development of Bulgaria and everything our country has achieved without the Soviet Union.

[Reznikov] Why do you not appeal for the help of an independent lawyer from another country?

[Zhivkov] That is a good question. I would like very much for some famous lawyer to attend the trial. But I do not have the financial resources for that.

[Reznikov] Would you like representatives of the communist parties of other countries to attend the court trial in the capacity of observers?

[Zhivkov] I believe that would be very good, and I would welcome the initiative of parties that expressed the desire to attend the trial.

[Reznikov] How, in your opinion, can you guarantee objective information on the course of the trial?

[Zhivkov] That question can be divided into two parts. How can such information be guaranteed in Bulgaria? I do not doubt that the trial will be also used here by the opposition and several circles of the ruling party to discredit me still more. Therefore I would like to use

your authoritative publication to request that representatives of foreign journalistic agencies and organizations attend the trial.

[Reznikov] How, in your opinion, and why was Ceausescu, the former leader of Romania, arrested and put to death without a trial?

[Zhivkov] The whole Ceausescu story was a farce. It is untrue that Ceausescu tried to flee. Ceausescu was arrested, but he insisted on a speech before the National Assembly. In order to hide what Ceausescu wished to say to the National Assembly, the murder of Ceausescu and his wife Elena Ceausescu was organized.

[Reznikov] If Ceausescu had spoken at the trial, what might have happened?

[Zhivkov] It was clear that he represented a threat for many of those who rigged up that farce. They feared that. They feared that he would present the National Assembly with facts which would expose many people. That is the essence of the barbaric act against Ceausescu and his wife.

[Reznikov] What would you like to say to readers of LITERATURNAYA GAZETA, where your interview will be published?

[Zhivkov] The most important thing for our world and for our entire planet is faith and truth. Truth creates the world and falsity destroys it.[end Zhivkov]

P.S. LITERATURNAYA GAZETA special correspondent L. Reznikov has arranged to meet with T. Zhivkov immediately after the end of the trial.

Diplomatic Strategy on Kuriles Suggested

91UF0502A Moscow IZVESTIYA in Russian 19 Feb 91
Union Edition p 5

[Vasiliy Golovnin report: "Can We Negotiate With the Japanese?"]

[Text] Some time ago I heard from an American journalist words I do not to this day know how to take: as an elegant insult or a sign of sincere admiration.

"The Japanese," he said, sipping a nonalcoholic beer at the bar in Tokyo's Foreign Correspondents Club, "have on the sly extracted from the West all that they wanted: both technology and access to the world's best markets. And what have we obtained in return? They are even refusing to allow American beef in their stores. Only you Russians are telling the Japanese 'no,' despite everything. And do not give in: These boys from Tokyo should know that there are people in the world who are still more stubborn than they are...."

My American colleague was clearly hinting at the dispute over the southern Kuriles, which has afforded Moscow and Tokyo an opportunity to display in full both unbending firmness and an almost catastrophic lack of mutual understanding. We, for example, have been so taken up with relations with the North Atlantic region that we have hoped involuntarily almost for a solution of our problems in Asia "via America." It has been the opinion that Japan, as a loyal ally of the United States, would always and in all things obediently follow the White House, only at times lagging behind slightly on account of its Asiatic provinciality. We almost believed that Japan meant NATO's "eastern flank" and that it differed little in its policy from a North Atlantic Denmark or Holland. And the militarized nature of our consciousness simply did not allow for the fact that we should be seeking a special approach to a country that, albeit rich, does not have nuclear weapons and strategic missiles.

The warning bell sounded when Tokyo, in spite of its firm reputation as "American yes-man," expressed no particular delight in connection with the recent shifts in the matter of military detente in Europe. The Japanese made it understood that the Americans and West Europeans do, possibly, have cause for exultation, but that it is as yet too soon for rejoicing in Tokyo. And that they will see no manifestations of the new thinking in this region until the USSR agrees to give back the "northern territories," as our Asian neighbors call the part of the Kuriles that they consider to have been illegally occupied by the Soviet Union since 1945.

Of course, this could be attributed to a manifestation of the old confrontational thinking. One could be sincerely incensed by the recalcitrance of those who are clinging to an old-fashioned territorial dispute when those same Germans, for example, have sensibly waved off the lost land of the German Reich, preferring to them peace and general accord. But a fact remains a fact: Tokyo has very

little concern for planetary considerations and is anxious to a degree about literally everything that it ranks among its own interests.

Having after World War II renounced nuclear weapons and large-scale armed forces, the Japanese at the same time cast off, as it were, at the bottom of their hearts the burden of worries about global problems, transferring them to other players—be it the United States, the USSR, or the United Nations. To themselves, on the other hand, they reserved the affairs of second-echelon players—working, enriching themselves, and keeping their economy in shape.

It is in this category, essentially, that there lies their dogged endeavor to restore the "northern territories" in the way that a tight-fisted proprietor engages in endless litigation with a neighbor over a piece of land. A national grievance at the Soviet Union's refusal to even discuss this matter, which is perceived as great-power scorn for a country that is not all that powerful militarily, is an enormous factor also.

It is for this reason that our attempts to lift the dispute over the islands to a more "conceptual" level with a hint that trifling claims might be sacrificed for the sake of the high goals of a surmounting of the confrontation in the world produce more often than not no result. Alas, we often communicate with the Japanese on different wavelengths, as it were, not understanding that they simply do not take many of the arguments concerning a reduction in nuclear weapons, detente, and so forth as applying to them but are waiting for one thing only: for when we begin to talk with them about the islands.

In addition, we often deceive ourselves if we believe that we are negotiating in Japan with those who might independently adopt radical decisions. The trouble is that this country lacks a more or less clearly expressed center of plenipotentiary political power like the president in the United States, the chancellor in the FRG, or the prime minister in Britain.

The Liberal Democratic Party, which has been in office in Japan for almost four decades, forms its governments per the official schedule of appointees principle, which presupposes that each party boss must as a sign of recognition of his services necessarily, if only briefly, occupy the post of minister and, sometimes, premier. There are many deserving people, and cabinets change every 1.5-2 years.

Even prime ministers in Japan are bound hand and foot not only by their short-term tenure of office and lack of experience but also by the absence of complete control over their cabinet, which is usually formed on the basis of quite a fragile balance between rival factions within the governing party. In this situation there are few who might have the qualifications, boldness, and time not to decide even but simply probe entangled foreign policy questions. The more so if such a decision could evoke a complex reaction in the country, which applies in full to

the "northern territories" issue, around which a strong national consensus has taken shape in Japan.

Practical diplomacy in the country, on the other hand, is essentially entirely in the hands of Foreign Ministry officials. And bureaucrats, however adroit, are taught throughout the world to defend the "general line," and revolutionary breakthroughs on a territorial problem are not, in my opinion, to be expected of them. Experience shows that important decisions in Japan are made by way of an agonizingly slow concordance of opinions in an extremely wide circle of interested forces, including the governing party and the opposition, the ministerial upper stratum, business, and the press.

Certain Western experts, incidentally, are convinced that because of this it is altogether pointless to conduct any "conventional-type" negotiations with Tokyo and that concessions may be had from it only by way of power pressure capable of rousing the "whole anthill" at one go. But, alas, we have virtually no levers left for influencing Japan: It does not believe in the Soviet military threat, it is not, unlike the FRG, about to reunite with anyone and can get by without economic cooperation with the USSR. In short, all this will require special, unusual approaches to our Asian neighbor.

Of course, it may be considered that nothing would happen were we to further "extend the pause" in relations with Japan, still, as before, having no peace treaty with it following a war that ended almost half a century ago. The more so in that far more cordial partners for us have emerged in the West. And there is a great temptation to once again postpone the search for solutions until later and hereby let slip a golden opportunity to acquire a dependable partner on our eastern borders.

This opportunity is largely connected with the fact that Japan has had to wait too long for the visit by M.S. Gorbachev scheduled for this April. Let us begin with the fact that not one top Russian or Soviet leader has yet visited Tokyo. And the present visit has been postponed several times. As a result, the atmosphere has become overheated to such an extent that many people in Japan are expecting from the mere fact of this trip the most miraculous results, primarily concerning the question of the territories, although realists are cautioning: It is difficult at a stroke to resolve problems that have been accumulated essentially by the whole of the 20th century.

But let us remember that the collapse of these hopes could have long-term unpleasant consequences. The West is changeable, and it would always be possible for an inimically disposed Tokyo to strongly support any voice demanding a harder line in relations with the USSR. A freezing of the uncertainty in the Far East would render unstable our entire strategy of reconciliation with the surrounding world, where the tune is called, say what you will, by the United States, West Europe, and Japan. The absence of firm ties to any party in this

triangle contains a potential danger for our perestroika, the success of which largely depends on a propitious international situation.

Of course, it is difficult to imagine as yet that the Japanese Government would find within it the power to depart from its former position reduced to a demand for the "simultaneous return" of the islands of Iturup, Kunashir, Shikotan and Habomai located in the southern Kuriles. It is stubbornly repeating this formula, which is unacceptable owing to its peremptory nature and inadequate legal substantiation and its simply unrealistic character under present conditions, when there is hardly anyone in our country who might with a stroke of the pen simply hand over to foreigners a part of national territory. However, it is not enough now, in my view, to simply enumerate the arguments refuting Tokyo's position.

It is important not simply to say "no," as we previously have done, but to give our version of a way out of the impasse that would be attractive for considerable numbers of the Japanese community. Polls show that the government's hard-line position is supported unconditionally in this country by little more than half the electorate. And approximately as many are prepared for alternatives—from a staged solution of the territorial question through various plans for joint development of the islands. There are influential politicians and businessmen, incidentally, among those who adhere to such a viewpoint.

It needs to be shown to this most dynamic part of Japanese society that the present Soviet Union is playing an honest game, is prepared to listen respectfully to its partner, and sincerely aspires to agreement. The new position of the USSR should convince the Japanese that the ice has been broken and that solutions are possible. This would enable the serious business world to push Tokyo officials more persistently toward a search for compromise on economic issues and dispose the press toward a discussion of possible accords, which would constantly reproduce and strengthen the atmosphere of a search for agreement. Finally, this would compel Japanese politicians to reflect on the fact that the time has now come to fight for the right to sign an epoch-making document on reconciliation with the great neighbor. In short, we need to trigger a mechanism that influences not only the stubborn Foreign Ministry but all of Japan at one go and is geared to the formation of a new national consensus in respect of the Soviet Union.

It is time first of all, in my opinion, to frankly acknowledge the very existence of the territorial issue, which would be perceived by our partner as a serious gesture of good will, but for us would be merely the statement of a fact. Such a decision would not even create a precedent, inasmuch as the USSR already has experience of lengthy negotiations on clarifying a border. With China, for example.

I believe that the prestige of the Soviet Union would only rise also thanks to confirmation of its adherence to the international enactments concluded since World War II, including the Soviet-Japanese Joint Declaration of 1956, according to which Moscow promised to hand over to Japan the islands of Shikotan and Habomai following the signing of a peace treaty. This document was ratified by the USSR Supreme Soviet Presidium, but its provisions were subsequently unilaterally rejected by the government of N.S. Khrushchev, who had taken offense at Tokyo for the extension of the "security treaty" with the United States in 1960.

Of course, Tokyo will almost certainly not agree to a return to the Joint Declaration just like that because it has in past years become too accustomed to demanding considerably more. However, we would be removing from ourselves the serious charge of a violation of international agreements and would be "throwing the ball" to the Japanese Government, which would in this case have either to urgently propose its version of a compromise or answer to the public for diplomatic clumsiness. It should be emphasized that the version concerning a return to 1956 presupposes initially scrupulous negotiations on a peace treaty and a thorough solution of all questions of a bilateral settlement tied in, specifically, both with the sovereignty of Russia and the interests of the inhabitants of the Kuriles.

Such a step, in my view, would afford operating room for a search for a balanced compromise. It would make it possible to create a mechanism of a firm combination of the interests of Japan, rich in capital and technology, and the tasks of perestroika, inasmuch as only a Soviet Union in renewal could be a reliable partner of Tokyo. But, in any event, we would not be rejoicing in our steel stubbornness of detached observers and could finally take our relations with Japan beyond the framework of petty wrangling over some rights to birds of passage. Yes, in past years even an innocuous agreement on their protection could not for many years take effect merely because several birds had seen fit to nest on the disputed islands....

Kurils Issue, Relations With Japan Viewed

91UF0493A Moscow SOVETSKAYA ROSSIYA
in Russian 15 Feb 91 First Edition p 5

[Interview with A. Aleksandrovskiy and V. Logunov, international specialists and candidates of sciences, by unidentified SOVETSKAYA ROSSIYA correspondent; place and date not given: "Pro and Con: Our Security and the Kuril Islands"]

[Text] USSR President M.S. Gorbachev's visit to Japan scheduled for April of this year has appreciably increased our interest in relations with our Far Eastern neighbor. Various aspects of these relations are being discussed in political circles and the press of the two countries, and predictions of the future are being made. Among the most disputed topics is the problem of the so-called "northern

territories": four islands of the Kuril chain (Kunashir, Iturup, Shikotan, and Habomai) which Japan insists on having turned over to its government. A. Aleksandrovskiy and V. Logunov, international specialists and candidates of economic sciences, express their viewpoints on the problem.

[SOVETSKAYA ROSSIYA] Soviet-Japanese relations in the postwar period can be divided into two stages. Before March 1977, in one form or another the Soviet government discussed the question of dividing the territory up with Japan, and N.S. Khrushchev in his day even stated that "if the Americans were to return Okinawa to you (Japan—ed.) tomorrow, I would go to our government with a request to turn Habomai and Shikotan over to Japan until a peace treaty is concluded." But after Japan became an ally of the United States and American troops equipped with nuclear weapons were stationed on its territory, the Soviet Union's position became more rigid. Do we need to adjust our position, taking into account the appreciable changes that have occurred in the international arena recently?

[Aleksandrovskiy] Undoubtedly. The disappearance of the military-political confrontation, including in the Asian-Pacific Ocean region, and the growing tendency toward mutually advantageous cooperation cannot but make changes to what until recently seemed to go without saying. In spite of continuing disagreements, a number of important treaties have been concluded with the Americans which make it possible to begin a real process of disarmament. And last year Tokyo also officially rejected the idea of the "Soviet military threat." Knowing Japan, one can say with complete certainty that, regardless of the government that may be at the helm there, under the pressure of public opinion it will firmly insist on the return of the "northern territories." For the Land of the Rising Sun this has long been a question of its prestige and self-assertion as a major power. In brief, without regulation of the territorial problem it will be impossible to conclude a peace treaty with Japan, and without a treaty we cannot count on large-scale interaction with business circles of this country...

[Logunov] The reference to Japan's prestige and self-assertion as a great power does not convince me; on the contrary, it puts me on my guard. After all, the Soviet Union also has prestige and the authority of a great power. Conceding our own territory for the sake of another's "greatness" will hardly strengthen us—on the contrary, it will give the signal to other neighboring countries, in both the East and West, to make territorial claims against us, of which there are already plenty, and we might have to make many more concessions. This would be only the beginning...

It is naive to think that the lack of a peace treaty is the main obstacle on the path to setting up large-scale economic cooperation with our eastern neighbor. At this point it is much more advantageous for Japanese entrepreneurs to maintain trade and economic relations with

other countries, mainly the United States and also Western Europe. The Soviet Union accounts for only 1.3 percent of Japan's commodity turnover. Recently, because of a number of factors, the material interest of Japanese business in cooperating with us has decreased even more. No treaty, even the most advantageous one for Japan, can change objective economic factors—we simply must impose elementary order in our national economy.

As for the disappearance of the military and political confrontation, here—as, incidentally, is the case everywhere—we must be oriented not toward general words and empty declarations but toward concrete facts and practical steps. As before, for Japan the United States is a military and political ally, while the Soviet Union is a potential enemy. Moreover, its military expenditures long ago exceeded the limit of one percent of the gross national product, which was established by the constitution, and this year they will increase by another 5.47 percent. The growing process of transforming the economic superpower into a military superpower could radically change the balance of forces in the Far East with the corresponding grave consequences for our security. Incidentally, in Southeast Asia, where they still recall the bullying of Japanese militarism, its increasing strength is causing growing concern. Judging from the statements of my opponent, this is ordinary gossip...

[SOVETSKAYA ROSSIYA] Let us put the question more concretely: Should we agree to include the territorial question on the agenda for the negotiations or, as before, declare it to be nonexistent?

[Aleksandrovskiy] My opponent appeals for us to be realistic. But actually we have been discussing the territorial problem with Japan for a long time and at various levels. Imagine how Japanese diplomatic circles and the public will react when we say: "Excuse us, gentlemen, but this question does not exist in our relations!" After that, how can we expect them to budge in other issues? When it comes to a discussion of the territorial problem, would it not be better to defend our positions? The more so since the Japanese demands have been supported by U.S. President G. Bush, the Government of Great Britain, and a number of other countries and even the PRC, although the Chinese have been showing a certain amount of restraint in this issue recently. You will agree that we cannot fail to deal with this. As for the idea of the appearance of another military superpower in the Far East, that is purely hypothetical. In terms of its military potential, Japan will not be able to compare to us for a long time.

[Logunov] I would like to remind you that as a result of World War II, Japan turned over many more Pacific islands to the United States than it did to us. But the Japanese Government is not conducting a loud campaign about that. Why? Because the United States made it understood immediately and unequivocally: "Do not expect any territorial concessions." In a word, this country is acting as a great power with confidence in

itself. In my opinion, we must adopt this experience, releasing ourselves—pardon my candor—from our inferiority complex, our faint-heartedness, and our lack of confidence in ourselves. I would recommend to our diplomats, in the first place, that they talk a little less about "planetary interests" and be a little more concerned about national ones. And, second, I would convey to Mr. Bush or Baker approximately the following: "Concede to Japan the Bonin, Rosario, Volcano, and other islands, give it Micronesia, and possibly you should give California back to Mexico, which owned it previously. If you do that we will definitely follow your example..."

[SOVETSKAYA ROSSIYA] Since we have come to this point, let us consider the problem from the international legal standpoint. How substantiated are Japan's claims?

[Aleksandrovskiy] Our position here is clearly preferable. In keeping with the international agreements from during and after the war (The Yalta Treaty and the Potsdam Declaration of 1945), the Kuril Islands along with the southern part of Sakhalin Island were transferred from Japan to the Soviet Union. Japan's relinquishment of its rights, legal justifications, and claims to the Kurils and the southern part of Sakhalin are registered in the San Francisco peace treaty of 1951, which it signed and, consequently, must observe. The Japanese refer also to the notion that the disputed islands are not a part of the Kuril chain and therefore they are not within the sphere of the effect of the San Francisco treaty. The argument is not very convincing since these islands have never been separated in the aforementioned treaty or any other international agreements.

They also put forth the thesis that the islands have been Japanese territory from time immemorial. This is also unconvincing, for the indigenous population of the Kuril chain were Ainus, who had their own unique culture. The Russians preceded the Japanese in the discovery, exploration, and assimilation of the islands, although in the middle of the last century, in keeping with the 1855 treaty, a considerable portion of the islands were conceded to Japan. Of course, the Japanese see everything differently, and one can understand that. But, to be honest, I absolutely cannot understand the public statements of a number of USSR people's deputies, especially Yu. Afanasyev, G. Popov, and S. Stankevich, that under certain conditions they are prepared to concede the islands to Japan. And the approach of B.N. Yeltsin, who spoke in favor of solving territorial problems "directly"—between the RSFSR and Japan, bypassing the Union center—gives his opponents additional trump cards.

[Logunov] But what is confusing here? Our radical democrats remind one of the egoist who is prepared to set his house and its inhabitants on fire just so that he could make himself some scrambled eggs. Here national interests are being inflamed for selfish personal ambitions, and they are openly taking the side of the foreign

circles who are longing for the collapse and dismemberment of the Soviet Union, and then they want to take over its territory. We know what any self-respecting country does with people like this...

As for the international legal aspects, my opponent has discussed them fairly objectively. But, important as they are, references to paragraphs and articles have no decisive significance in politics. Here one must proceed from the need to satisfy one's state's interests, as all civilized countries do. And we are all living with illusions about "human morality." It has already been said: In a joint declaration with Japan concerning the end of the war and the restoration of diplomatic relations in 1956, the Soviet Union expressed its readiness to turn the islands of Habomai and Shikotan over to Japan after the conclusion of the peace treaty. How did the Japanese react to this goodwill gesture in the spirit of "human principles" that are now being proclaimed everywhere? They concluded a new treaty with the United States which was actually aimed against the USSR, and they took a more rigid position with respect to the territorial issue, demanding more islands. Taking into account the growing possibilities of provocations, in 1977-1978 we were forced to put a contingent of two divisions of our troops on the southern islands of the Kuril chain... Will Tokyo not again regard our willingness to discuss the territorial issue as a sign of weakness and a signal to put forth far-reaching claims?

And Japan will not discuss a possible peace treaty with us, just as it will not discuss the San Francisco treaty... In politics you cannot get by without concessions and compromises. But they must be mutual and balanced.

[SOVETSKAYA ROSSIYA] Now let us look at the problem from the purely economic side. Sometimes when you look at these little clumps of land scattered in the Pacific Ocean, which are almost indistinguishable on the map, you begin to understand why many large, economically strong countries want to have them...

[Logunov] Here is a case where we have something small but precious. Although the land area of the Southern Kurils is insignificant, it is adjoined by important water areas, including the 12-mile wide territorial waters, the economic zone, which is 200 nautical miles wide, and the continental shelf. This area amounts to thousands of square kilometers. And this means fish, including salmon (the most valuable, incidentally, of those in short supply), sea products, and minerals. Finally, the area is also a potential source of energy from the tides and sea currents... It is hard to say what else the sea might give us in the future—each year it brings the coastal countries quite pleasant surprises. It is no accident that many countries so stubbornly defend their rights to the maritime economic zones.

[Aleksandrovskiy] The stunning prospects outlined by my opponent are a part of the very, very distant future. But as for now, we have not learned to utilize this

immense natural wealth on the continent, not to mention the islands. We need foreign capital and technology not in the future but now, and Japan is quite capable of providing it. Here we must calculate precisely what is more advantageous in the final analysis: to keep in the storeroom a piece of scrap metal from which we could not even make a child's bicycle or to earn good money from it by placing it at the disposal of real specialists and take advantage of their knowledge and ability and also financial funds for capital repair of our home, at the same time gaining skills that enable us to earn money.

I too am against unjustified concessions of territories. But I am also against sitting as we traditionally do, like Oblomov, with our hands folded, doing nothing—God forbid that they should swindle and rob us! We should not be afraid to discuss territorial problems, the more so since we have, as they say, all the trump cards. We must move, look, and take risks... At one time there was a lot of talk about the priority of politics over economics. But perhaps it should be the other way around, as it is in the Western countries.

[Logunov] According to your logic, the presidents and prime ministers in those countries should be like managers of large corporations and not "pure" politicians like Bush and Kohl, who, incidentally, when they consider it necessary, can put businessmen, who live by market conditions, in their place. And then, I repeat, it is an illusion to think that if we conclude a peace treaty Japanese capital will rush to assimilate our Far Eastern regions. The Land of the Rising Sun has now begun a new round of technological endeavor, and it needs not timber and raw material, which predominate in our exports, but products from their primary processing, or even better, their final processing, which we, alas, will not be able to provide for a long time to come. So should we not make ourselves equal to the treaties here? At the beginning of the thirties, for example, the United States exported to the Soviet Union up to 40 percent of the equipment shipped abroad even though we did not have even have diplomatic relations... An entrepreneur from any country, excuse my bluntness, will not shrink before selling pitchforks to the devil himself if it brings a good profit...

[SOVETSKAYA ROSSIYA] And so two months remain before the USSR president's visit to Japan. This will be the period of the most intensive work for our diplomats and specialists who are preparing for it. What would you wish for them?

[Logunov] Again, they must look carefully at the map. The Kurils, like a gigantic arch, protect us from foreign aggression and expansion, insuring the Navy and submarine fleet against all kinds of unexpected events. It took Russia so many centuries, at the price of immense efforts and sacrifice, to gather its protective ring bit by bit! We should get down on our knees to our forefathers for this feat!

This is especially valuable now, when in the immediate vicinity of our Far Eastern borders there is a mighty superpower which in terms of its potential military might is quite comparable to the United States or Western Europe. Our posterity will not forgive us if we trade our natural shield for outdated television sets and used Toyotas...

Fortunately, our diplomacy has been much more realistic in the Far East than in the West, where there have clearly been quite a few mistakes and serious harm has been done to the foreign political positions of the Soviet Union in Europe and the Third World. And now these completely nonplused "theoreticians" with a truly professorial lack of responsibility are recommending that we conduct a "new course" in the Far East as well. And again they are promising mountains of gold, referring to the deceptive speeches and sweet promises of our foreign "friends." No, let us heed the opinion of the people. They will not stand for another political "stab."

[Aleksandrovskiy] Emotions and political nostalgia, no matter how effective they may seem to be, cannot get rid of the objective realities we simply must deal with if we want our foreign policy to produce results that are apparent to everyone. And the realities are such that the West is not with us in large-scale economic and scientific-technical cooperation, not to mention rendering unilateral aid. So we must turn toward the East, where the chances of arranging this kind of interaction are quite realistic.

And it is time for us to get rid of our outdated ideological tunnel vision; we must not view our neighbors through the slot of a military-political gun sight. And we must take concrete steps to make friends of them. Japan, of course, will not abandon its territorial claims. This is perhaps unpleasant but it is reality. So we must proceed to negotiations on the territorial problem, defending our interests and achieving a compromise that is acceptable to both sides, and not do as our esteemed Ministry of Foreign Affairs did in demarcating the water areas in the Bering Sea...

As for our security, any joint project we may have with the Japanese will strengthen it more than, say, an air force division. For the simple reason that when they do business, governments try not to fight... In brief, I would recommend that our diplomats step up their efforts in this direction. Avoiding hasty steps, naturally.

China's Special Economic Zones, Soviet, Chinese Reforms Examined

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in Russian 13 Jan 91 pp 6-7

[Article by A. Kuznetsov, deputy chairman of the Estonian Republic Governmental Commission on Development of the Narva Free Economic Zone: "One Market Is Not Like Another; On Special Economic Zones In China"]

[Text] We are gradually entering the market. We are entering it in a difficult and contradictory manner.

At this time, the experience of our friends in socialism is especially important to us, and our readers ask us to acquaint them with it. Quite recently we told in detail about how the economy of Poland is being reorganized. Today we will tell about China.

Chinese Affairs

The primary goal of our visit to the PRC was to acquaint ourselves with the free economic zones. Our trip was organized at the suggestion of the PRC Consul General in Leningrad, Zhang Weichao. Our host organization, the Chinese Association of Friendly International Relations, showed us around the Minhang zone for economic and technological development, which is located near Shanghai. But first we would like to relate some general information on the Chinese economy, which we obtained during our conversation with the director of the National Bank.

Economic reform in China began 10 years ago with the disbanding of the farm communes. At that time, there was a changeover to the family order and to unregulated prices. The state sets prices only on the most vital forms of raw materials, as for example on cotton. In the past years, not only has hunger been eliminated on the farm, but an infrastructure has been developed. The peasants themselves sell their own produce in the cities, and the goods do not spoil. The system of supplying the cities has turned out to be very flexible. Chinese distances are similar to ours in the Soviet Union, but even in the cold northwest area of the country there are no problems with supply of southern fruits. There are 80 million peasants working in the processing industry.

Reform in the city began in 1984. The state enterprises were given broad freedoms: The right of export and import, and the right to establish prices. A tumultuous development began which, as often occurs in such cases, led to high inflation. In 1988 it reached up to 18.5 percent. There was chaos in the market. The buying frenzy led to talk of price reform.

How familiar all this seems, right? Yet the subsequent behavior of the Chinese authorities greatly differs from the actions of our own center. The bank director, in order to emphasize the significance of the subject we were discussing, especially stressed that they acted not by command methods, but by economic ones. The interest rate on credit was sharply increased (to 18.5 percent), as was the interest rate on savings (up to 16 percent). This cooled off the society. Today, when the interest rates in the savings bank and on credit have already been reduced to 8.4 percent, a depression of the market may be seen—the people are not buying enough, and further reduction of interest rates on investments is necessary. We ourselves observed a flooding of the market. There are very many goods, the stores operate without days off, and there are also very many people in the stores. At the same time, you will see almost no people with large piles

of purchases. Chinese society is not yet a consumer society. In their discussions with us, the Chinese leaders themselves stressed that the country is still poor.

China is working strenuously to earn currency. Judge for yourselves. The average monthly wage of the Chinese comprises slightly over 200 yuan. According to the official rate of exchange, this comprises only \$40. By Western standards, it is impossible to live on \$40 a month. At the same time, on 200 yuan a month it is possible to live about as we lived before perestroika. That is not very well, but not too badly. In any case, if you have money, you will buy what you need. That is how it is in China today. Our [tourist] service is trying to openly rob those who come to our country with hard currency. The Chinese, however, offer tourists the opportunity of exchanging their currency quite profitably by obtaining original Chinese goods.

However, I was amazed by something else. While the official exchange rate comprises 5.2 yuan for \$1, on the "black" market the ratio is 1:6, i.e., almost the same. This example, in my opinion, illustrates very well the health of the Chinese economy. And it is not government regulation of the economy in itself that is important, but rather the fact that this regulation is implemented with consideration for the realities, and not some ideological wishes which have been grabbed out of thin air.

The Chinese economy may be compared with a peasant farm which is growing strong. Life is not easy, but the farmer and his entire family know that it cannot be otherwise. Patience and hard work will win out in the end.

On Import of Foreign Capital

We recall the famous saying of Deng Xiaoping which has become the gospel of current Chinese pragmatism: "The color of the cat is not important, as long as it catches mice!"

We do not know the color of cat with which we must compare foreign capital, but nevertheless it is slowly doing its work in China. We in Estonia have no, or very few, ideological obstacles for its application. However, we know little about the necessary conditions under which it could operate. Therefore, let us speak about certain principles of functioning of foreign capital in special zones.

The special zones in China, as well as the economic reform in general, are 10 years old. It was during the time of our visit that the 10th anniversary of Shenzhen, the largest zone located in south China, was being celebrated.

We must say that foreign capital certainly does not flow in a gulfstream into the Chinese economy. Programs such as the "Marshall Plan" do not exist for China, and it must work hard for every million dollars. It is not easy to obtain and earn currency, provided, of course, that one does not wantonly engage in the sale of natural

resources, as we did in our country. The projects which are able to obtain foreign investments are relatively small. Thus, in the last 5 years, slightly over \$25 billion in direct investments was obtained for 21,000 projects, which gives approximately \$1.2 million for each project.

The small scale of the projects is perhaps a manifestation of Chinese caution, but our example of building "projects of the century" has also served as a kind of lesson. With an undeveloped economic and social infrastructure, these projects turned into "black holes", devouring huge sums without a trace.

We must, however, note that a small and inexpensive enterprise cannot be current by Western standards. Thus, if we take the current (i.e., competitive on the world market) paper industry, it costs over half a million dollars to create a single work site within it, while the plant itself must cost no less than \$300-\$400 million. Otherwise this will be a polytechnical museum, and not a profitable production.

For some reason the opinion has recently been formulated in our country that current products are manufactured by small and very small companies, and a kind of allergy to large enterprises has developed. However, the fact is that you cannot make anything that is up-to-date at a small enterprise. You will never be able to pay for the necessary scientific developments, which today are very expensive. In the Baltic republic we also need a major project, for example an automobile plant, for which many other enterprises could work.

The Chinese banking system, which consists of the Central People's Bank and sectorial banks such as the Trade-Industrial Bank (it ranks 12th in the world in deposits) and several hundred commercial and investment banks, is tied through the Chinese Bank (the analog of the union Foreign Economic Bank) with an international network of banks, and primarily with the International Currency Fund and the Bank For Asian and African Development. The newspaper CHINA DAILY, which even without its Sunday edition of BUSINESS WEEKLY publishes much information about China's economy, and which is offered free of charge on every floor of our hotel in Beijing, reported on 2 December that the International Bank will soon approve the financing of four major agricultural projects. It is true that this same issue contained a comment about the shortage of currency funds invested into the basis of the economy: Energetics, transport, the communications system, and the mining industry, i.e., those sectors where the return is indirectly expressed. We too should keep all this in mind as we consider international cooperation and realize that they are in no great hurry to enter into it with us. We will note that evidently the Chinese have already more or less provided for their tourist industry. In any case, the centers of Beijing and Shanghai are so densely built up with high-rise hotel and bank buildings that they look more like the American Dallas than oriental cities.

What is China's foreign debt? It is relatively small, and by the end of June of this year comprised \$45.4 million. Computed per capita of the population this comprises around \$38, i.e., on the order of a month's salary. According to the information available to me, the USSR debt comprises \$65 billion, or \$215 per capita. If we consider the real ("black market") exchange rate of the dollar at 1:30, it turns out that each USSR resident today owes on the order of 6,500 rubles, or 20 months wages. Since less than two-thirds of the population is employed, then each worker must work at least 2 years toward payment of the debt.

Instead of a Valley of Sorrow—A Special Zone?

Political scientists and analysts write that there is no sense in making the transition from socialism to capitalism. It is enough to travel the path from a closed society to an open one. Yet this path leads through a valley of sorrow. What is this? "The transformation of a poorly functioning planned economy into a developing economy of the market type does not yield an immediate result. As a minimum this presupposes a period during which wages will be frozen, if not reduced, while at the same time prices will rise and subsidies will be reduced or eliminated altogether. And when goods finally do appear, the people will not have the money to buy them. It is quite probable that the process will be accompanied by unemployment. It will turn out that the much-praised system of social protection in the socialist countries is simply unreliable. Thus, things will at first get worse, in some respects they will become totally worthless, and only then will they become ordered". (VOPROSY FILOSOFIYI, No 9, 1990, p 72).

It is believed that no one can get by without outside aid of the "Marshall Plan" type. Yet what should we do if for ideological or other reasons such aid is not given or is limited? In China they decided to embark upon the path of special economic zones [SEZ]. In the development of the SEZ, the emphasis is placed, as we know, on the fact that international and foreign national capital, which is trying to avoid high taxes, find shelters with a mild tax and customs climate. Yet this capital will still not come to build a railroad to the desert. We must create the preliminary conditions for it. We learned what kinds of conditions these may be from the example of the zone for economic and technological development in Minhang, which is located near Shanghai and whose development began in 1986. M. S. Gorbachev familiarized himself with this zone in May of 1989.

The area of the zone comprises only 213 hectares. There are plans to locate 100 joint enterprises on it, i.e., allowing 2 hectares per enterprise. As of June 1990, 44 enterprises began operation in the zone, and another 19 signed the appropriate contracts with the zone's administration. The full volume of investments comprises \$307 million, i.e., an average of \$5 million per enterprise. The average number of people working at one enterprise is 100. In 1989 the zone earned \$49 million from production export.

Minhang is one of three special zones operating in the region of Shanghai. Planning is currently underway for development of a large zone in Pudong with area of 350 square kilometers. The development of its infrastructure will require 50 billion yuan.

What kind of infrastructure must the zone have in order to ensure a favorable climate for investments? The primary consideration is the provision of electrical power. Obviously, there must not be a shortage of heat and water. All the capital construction on the territory of the zone is conducted by the zone administrators, and companies buy or lease the finished buildings. Here is the second condition. Communications must be at the level of international standards, no lower. In passing through the territory of the zone, we saw uncollected trash and rubbish (unfinished construction!) in some places, but no reductions in the quality of communications with the outside world are allowed. This is understandable, since according to the third rule, the enterprises themselves engage in the sale of production and the import of raw materials. Without efficiency in such matters, financial collapse awaits them. We might add that in the elapsed time not one of the companies in the zone has gone bankrupt. The fourth principle is the principle of unexpected affection. Systematic advertising of the zone is conducted, and often unexpected partners respond to it. The administrator of the zone told us: "We sometimes wait for a certain business to come to us, but it does not come at all. Yet others come instead, and after expert review of their proposals we come to an agreement, as a rule". In other words, it turns out that the Minhang zone has no specialization. Its main purpose is to earn currency—money, as we know, does not smell. The Minhang zone began with the production of toys, and today it produces pantyhose and medical instruments, clothing and electronics, embroidery goods in the national style, and medicines. We saw a very beautiful building being built for the Xerox Company, which will produce copying equipment. Altogether, there are five projects adapted to high technology.

In planning the Narva free economic zone, we should evidently also adhere to the principle of "offered affection". If we strictly define our business idea and insist on it, we do not know whether anyone will like it. Obviously, the general working conditions in the zone (household conveniences) must maximally approximate the conditions in the Western industrial centers.

I will not bore the readers with figures on tax discounts and other such benefits which are given to the zone's enterprises. This is rather specific material. However, I would like to say a few words about the working conditions of Chinese citizens in the zone. They are not very attractive. The work week is 48 hours long (8 x 6). We can understand this: Once money has been invested in the zone, it must be recovered as quickly as possible. The wages are paid in yuan, and to start they are 20 percent higher than the analogous wages outside the zone. It is true, later they may differ by about 80 percent. Foreigners working at the enterprises receive their wages in

hard currency, and this at worst is \$2,000 a month. With the wage of the Chinese worker set at \$50, the foreigner earns 40 times more! That is the reality.

Today in China there are only around 100 free economic zones which yield around 10 percent of the state volume of production.

We did not have a chance to visit the Shenzhen SEZ. This zone, which is almost a small state within a state, operates according to somewhat different principles and the people there receive their wages in currency. Obviously, this requires a complex financial system and other organizational resolutions. The currency-paying SEZ seems to be the next class in the economic school. However, I believe that we as underclassmen should begin with simpler things—tourism and zones for technical and economic development.

In Conclusion A Few General Phrases

Today in the PRC those who in their younger years studied in the USSR or were closely associated with it by some other means have received rehabilitation. Since that time they have retained warm feelings toward us, and we have been able to bask in the warmth of these feelings during the receptions which these older people have arranged in our honor. We recall an incident in one fabric store in Shanghai. At first we were served by a young man who spoke a little English. Then he suddenly disappeared somewhere, and instead of him we saw a very stately gentleman (or rather comrade) who began to wait on us... in Russian!

The fates of the Soviet and Chinese peoples have proven to be similar, and there are many common problems which lie ahead. The main one of these is how to pass through the valley of sorrow, while combining political and economic reforms in a manner of compromise. It is impossible to implement them in a synchronous manner, as economic transformations are always slower. There are even theories about the division of economics and politics in the transitional period. For example, the need is justified for having two leaders of perestroika—a political and an economic leader, just as Adenauer and Erhardt were in the FRG.

In China, unlike in our country, the reforms began with the economy and did not touch upon the ideological superstructure for 10 whole years. Difficulties (mildly speaking!) arose only in the Spring of 1989 in the form of student demonstrations and demands for political changes. The blood which was spilled to restore order at that time immediately stopped the influx of currency investments, and now the difficult process of restoring trust is underway. Thus, Chinese reform has a long and difficult road ahead of it. For example, privatization in industry has not yet really begun.

I would like to emphasize, however, that in China it is specifically reform which is taking place, while the USSR has undertaken a restructuring [perestroika], which its architect, M. S. Gorbachev, likes to call a revolution.

However, there is a great difference between reform and revolution. While the intelligentsia has nothing to do in a revolution except to become its victims, reform is implemented by the literate people. In the early 80s, when television broadcasts still frightened the Soviet people about the CIA and imperialism, China sent large masses of young people to the West to pursue study and in-service training. Thus, an entire strata of engineers, managers and businessmen has been formed in the PRC, which is able to implement the reform. But when will such a strata be formed in the USSR?

While revolutions consume their authors, the authors of reforms are often able to bring matters to their conclusion. It is specifically as a result of reform that democracy and the legal state are gradually gaining strength. While perestroika with its "r-r-revolutionary" tendencies has turned into yet another misfortune. In the USSR matters have clearly "gone astray", as in the period of the cultural revolution in China in the 60s and 70s.

In China, however, there is a slow but sure formulation of a current economy.

Prospective Chinese Economic Reforms Viewed

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Union Edition p 5

[Article by Yu. Savenkov under the rubric: "We Are Crossing the River Feeling for the Stepping Stones... (Ways of Chinese Reform)": "IZVESTIYA Correspondents on World Events"]

[Text] On 29 January Chinese newspapers published recommendations given by the CPC Central Committee concerning the economic and social development of the country for the decade ending in 2000 and for the eighth five year period, which started this year. The wordy document had been approved by a party plenum on the eve of the New year but only appeared in print a month later, which complies entirely with the Chinese tradition.

The Hong Kong WEN WEI PO newspaper, known for its affection for Beijing and for its ability to know things, wrote that the idea to design two parallel plans (10 year and 5 year) was suggested by Deng Xiaoping. The 86-year old patriarch formally left his last official post last year but he is still searching for the direction of the reform begun by him as actively as before. In his opinion, the coming 1990's should be viewed based on the experience of the 1980's: What was correct should be developed, what was partially successful should be made more accurate, and what was unsuccessful should be corrected.

The document provides only an outline for social and economic development; it will be presented in more detail in the government draft, which should be discussed at the session of the National People's Congress in the spring of this year.

In the next decade China has to quadruple its gross national product [GNP] compared with 1980—up to \$1000 per capita. That will allow the country to achieve the level of “society of minor prosperity,” which Confucius, the great philosopher whose ideas became the basis for the philosophy and culture of the Chinese nation, used to dream about. The further road is much more difficult—quadruple the GNP once again by the middle of the next century compared to the year 2000, up to \$4,000 per capita. The population of China is calculated to reach 1.5 billion by that time. This will take China where it was in 1980, to the same level of average development countries.

In order to achieve this the document proposes an annual GNP increase of 6 percent. By 2000 China intends to produce 500 million tons of grain. Given the dynamic growth of the population, this amount will not be sufficient to cover their needs. They are also planning a considerable increase in the production of electric power, coal, and crude oil.

In my view, the following figure is of extreme importance: The GNP share of the service industry should grow in 2000 from one-fourth to one-third. One more item: The CPC Central Committee suggests intensified modernization of the country's armed forces and spending more money on its defense.

For the first time the concept of the Chinese-style socialism was explained. Parallel to the known political characteristics (the dictatorship of the proletariat, Communist Party leadership, domination of socialist property, stable and harmonious development of production forces, and adoption of the world's best cultural achievements) they offer a principle that always caused debates and was treated by society with an ambivalent attitude. Distribution according to work done should dominate; other forms (the private sector and foreign investment enterprises) can only serve as auxiliary ones for this main form of distribution. How will it be done in practice? There is no answer to that. They will have to look for a complex combination of state, public, and individual interests. The reform has awakened the initiative in people. However, lately greater emphasis has been put on the collective ethic and on the formula “the state is above everything”. A goal has been set to reform the wage system so that it reflects the quality and the amount

of work done and does away with unwarranted leveling. It should also eliminate too great a disparity of income.

The economic sides of the reform are discussed in rather general expressions that illustrates the compromise between the market economy accented so hard during the first decade of the reforms and the centralized economy (this has been a domineering tendency in the last two or three years). Public property will play the role of first fiddle. The new management system that will be created is primarily meant to highlight the best qualities of the public sector.

Strategic aims have been announced. There is a plan to set up a national market under government supervision. I think that the formula “the government regulates the market and the market orients the enterprises” that was used a number of years ago is more flexible. However, among the speculations about China's return to the old administrative methods, the declared concept of the market and its gradual expansion makes one hopeful.

Lately many economists have persisted in the following: Based on the successful reining in of inflation, a gradual transfer to price reform is becoming feasible. Many economists also connect such a reform with a rejection of subsidies given to enterprises operating at a loss. The CPC Central Committee recommendations state that the government should control the prices of a small share of important goods and work services only, the rest would be regulated by the market. No deadlines have been set but the trend is outlined.

One of the most crucial items is the diversity of approaches displayed by the center and by provinces to the degree of local autonomy and to the share of local revenues in the state budget. There was some information that the center wanted to change this balance to its benefit, i.e. to take a share of the profits and not of the incomes. Observers are convinced that it was the necessity to smooth out contradictions and achieve a consensus in this respect that served as the main reason for the several postponements of the plenum last year. The system remained unchanged. However, they agreed that the new mechanism (of profit deductions) will be tested in some areas of the country.

So, once again there are careful, cautious steps. They say in China: “We are crossing the river, feeling for the stepping stones...”

Israeli Adviser Urges Soviet-Israeli Ties

91UF0523A Moscow KOMSOMOLSKAYA PRAVDA
in Russian 28 Feb 91 p 3

[Interview with Prof I. Zemtsov, director of the Institute for Study of Contemporary Society and adviser to the Israeli Ministry of Science and Technology and the Ministry of Energy and Infrastructure, by S. Zavorotnyy and I. Chernyak; place and date not given: "Is Standing on One Leg Comfortable?"]

[Text] [KOMSOMOLSKAYA PRAVDA] Ilya Grigoryevich, a certain shift in our relations with Israel has been discerned of late. Various viewpoints are being expressed in this connection. One such is: we should be in no hurry to restore relations, diplomatic included, with Tel Aviv....

[Zemtsov] Merely the way the question is put is surprising. Why is it necessary to adopt standards and criteria in respect of Israel which are different from those adopted in respect of other countries? Why is the Soviet Union, without a second thought, establishing diplomatic relations with Saudi Arabia and Chile, but behaving guardedly toward Israel?

Your country acquired nothing when it broke off relations with Israel in 1967. But today it is losing even more. Have you ever tried standing on one leg? It is difficult and uncomfortable. So the USSR's policy in the Near East reminds me of an attempt to stand on one leg—the Arab leg. This is of no benefit either to the Soviet Union or the Arab countries. After all, the USSR cannot represent and defend the interests of the Arabs if it has no means of influencing Israel. Those who say that establishing diplomatic relations with Israel is premature are thus going against the USSR's interests.

Judge for yourselves: Why must Tel Aviv seek a mediator in relations with Moscow, and Moscow, a mediator in business with Tel Aviv? Would it not be better to work and meet directly? The reason is that in respect of Israel new political thinking is not yet working, and this is why questions which are manifestly irrelevant, in my view, are arising.

[KOMSOMOLSKAYA PRAVDA] It has been heard repeatedly that, having restored diplomatic relations with Saudi Arabia, for example, we are acquiring not only an authoritative partner in the Arab world and "scoring points" among Muslims but obtaining credit also. But with Israel things are more complex. And good relations with the Arabs are traditional for our country. Tel Aviv is a another matter....

[Zemtsov] There is a system of errors in such arguments. Let us begin with diplomatic relations. Their restoration with our country would by no means signify a reorientation of Soviet foreign policy, as people sometimes attempt to portray matters. An exchange of embassies would mean merely that the USSR would have normal relations with Israel, the same as with other countries.

Just look back: With its anti-Israel demarche of 1967 the Soviet Union put itself in the position of a hostage of the Arab countries, whose interests it is attempting to represent. Has this been to your country's benefit? Hardly.

At the same time do diplomatic relations provide any guarantees? It is well known that the presence in Cairo of a Soviet Embassy did not prevent Egypt from kicking Soviet specialists out of the country. And, further: Arguments about whether relations with Israel would be advantageous or not are very vulnerable. It is imprudent in international relations to proceed merely from advantage. What about the ideals of justice and values common to all mankind? Can we put at the basis of foreign policy the question: What's in it for me?

But since you have raised this matter, I will express my viewpoint. Cooperation with Israel could prove no less useful for the USSR than cooperation with other countries. Perestroika is at times getting stuck at intersections. Models are needed. Take our country. You see several structures here: state, cooperative, communist (the kibbutzim), and private. All these structures get along with one another perfectly well. This experience could be useful for the Soviet Union. Or our agriculture. It has in Israel scored big successes without huge capital investments, unlike in the United States. And for this reason the Soviet Union, in my view, could take advantage of this experience also.

Yes, you could purchase food with the billions of dollars which you will receive from Saudi Arabia. But we are prepared to give you more—technology. And you would not have to borrow money to spend it on food. Judge for yourself which option is preferable.

Exchanges in the sphere of electronics and food and light industry would seem promising to me. And, what is most important, we always remember that Israel emerged with the assistance and participation of the USSR....

[KOMSOMOLSKAYA PRAVDA] But the restoration of relations between our countries would, despite the pluses you have listed, have manifest minuses also. The biggest of them would be constant confrontation with an inveterate Near East problem—the Arab-Israeli conflict....

[Zemtsov] There is a universal way of resolving this conflict—direct negotiations between our country and its other participants. History has yet to find a better way. Would the Soviet Union consent to its problems with any state being resolved by a third country? We have the experience of successful negotiations with Egypt, which led to peace and has stood the test of time. I am sure that we will in the near future witness an improvement in Arab-Israeli relations also. Remember the ancient Arab saying: A neighbor is closer than a brother. We are condemned to friendship, to coexistence with the Arab countries.

Had the Soviet Union not refused to have anything to do with Israel, it could have played a more active and

positive diplomatic part in the Near East, in a settlement of the Arab-Israeli conflict particularly. I will be giving away no secret when I say that Israel is still distrustful of a mediating role for the USSR in this region. Everyone would lose from this situation.

[KOMSOMOLSKAYA PRAVDA] In this sense could the idea of a Near East conference be a first step en route to peace and good-neighborly relations among the inhabitants of the Arab home?

[Zemtsov] But why is a Near East conference necessary? In my opinion, this idea died long since. There is a more universal medium—direct negotiations based on respect for mutual interests. Why resuscitate a formula which has failed to justify itself in the past and attempt to use obsolete prescriptions in the treatment of a neglected disease?

[KOMSOMOLSKAYA PRAVDA] An item published in our newspaper, citing sources from Tel Aviv, made an insulting attack on you....

[Zemtsov] As far as I know, the scholar to whom the attack on me is attributed denies that he said anything negative about me or the USSR Academy of Sciences delegation visiting Israel. So I view the incident as closed.

[KOMSOMOLSKAYA PRAVDA] You have become a frequent visitor to our country. What, if they are not a secret, are the aims of your visits to the Soviet Union?

[Zemtsov] An agreement on scientific and technical cooperation was concluded recently between the USSR Academy of Sciences and Israel's Ministry of Science and Technology. The documents which were signed enable us to hold conferences and create joint scientific teams. Soviet scientists' visits to Israel have become frequent also. Our relations have assumed a businesslike and stable nature. I would like to believe that this will be a serious and long-term business.

Azerbaijani Visit to Iran Furthers Ties

91UF0512A Baku BAKINSKIY RABOCHIY in Russian
2 Feb 91 pp 1, 2

[Azerinform correspondent A. Amashov report: "Assistance and Contacts"]

[Text] Questions connected with the design and construction of social facilities in the Iranian provinces of Zanzan and Gilan, which suffered from the devastating earthquake, and also an extension of Azerbaijan's diverse contacts with the Islamic Republic of Iran were studied during a visit of a republic government delegation to this country. The results of the visit were described at the request of an Azerinform correspondent by the leader of the delegation, F.R. Mustafayev, deputy chairman of the republic Council of Ministers and chairman of the government commission for assistance to casualties of the earthquake in Iran.

"A program of social development of the areas which suffered from the earthquake has been drawn up for the elimination of the consequences of the natural disaster in Iran. Its realization has been entrusted to the 'Foundation for the Building of the Islamic Revolution,' whose chairman is Mr. Akhundi, deputy minister of construction of Iran," he said. "Naturally, all our proposals concerning assistance to Iran were studied by this organization. A joint agreement was signed, and accord was reached on the erection of social facilities by Iran's Ministry of Construction. Of these, hospitals and apartment houses will be erected in accordance with our or joint plans. The work will be financed by the Azerbaijani side also.

"In addition, we undertook to help Iran's specialist planners and to provide the facilities to be built with construction materials, equipment, and so forth.

"The results of the discussions that were held convinced us once again that the Islamic Republic of Iran Government is prepared to cooperate actively with the Soviet Union in the most varied spheres of the economy, science, and culture and have firm contacts with Soviet Azerbaijan, particularly in the economic sphere.

"Thus, for example, at a meeting with Mr. Basharati, first deputy foreign minister of the Islamic Republic of Iran, I requested assistance in the solution of questions connected with provision of the Nakhichevan Autonomous Republic with electric power, gas, and the delivery of freight across Iranian territory. Mr. Basharati expressed understanding of the extremely difficult situation which has come about in the autonomous republic as a result of the blockade on the part of Armenia. Setting forth the Iranian Government's position, he declared its readiness to assist Azerbaijan in the solution of a number of economic questions without damaging relations between the Islamic Republic of Iran and the USSR here.

"I would like to mention particularly," Feyruz Radzhabovich said, "that the warm, friendly relations linking our peoples are characteristic of contacts at the official level also. We also sensed this during an official dinner given by the Islamic Republic of Iran Foreign Ministry in honor of the Azerbaijani delegation. Present were Mr. Razavi, governor general of the city of Tehran, V.V. Gudev, ambassador of the USSR in Iran, Islamic Republic of Iran Foreign Ministry staff, and other officials.

"Speaking of the expansion of Soviet-Iranian relations, with Azerbaijan included, Mr. Bank, chief of the Islamic Republic of Iran Foreign Ministry East Europe Desk, expressed the Iranian Government's position. He announced a readiness to have examined within a month the draft protocols presented by the Azerbaijani side pertaining to the development of economic cooperation and the rendering of economic assistance to the Nakhichevan Autonomous Republic and also a broadening of humanitarian assistance and cooperation with

Azerbaijan in the sphere of education, health care, and culture. But the authority of the USSR Government is needed for them to be signed by a representative of the Azerbaijan SSR. He observed also that the Government of Iran had no objection to the opening of a branch of the IRNA press agency in Baku and of Azerinform in Tehran, and also of Iranian and Azerbaijani cultural centers respectively, and the establishment of long-term relations between our peoples. It was emphasized anew here that they should develop within the framework of Soviet-Iranian cooperation."

During the visit to Iran the members of the Azerbaijan Government delegation, which also included M.M. Aliyev, chairman of the Nakhichevan Autonomous Republic Council of Ministers; R.M. Guseynov, deputy minister of health of the Azerbaijan SSR; and representatives of departments of the republic, visited the Iranian cities of Astara, Enzeli, Rasht, Qazvin, Tabriz, and Ardabil. They met with the leaders of the local authorities and the clergy, visited the IRNA press agency, where they had a discussion with Mr. Naseri, its general director, visited the Television and Radio Committee, were received by Dr. Vahed Dastjerdi, chairman of the Helal-e Ahmar (Red Crescent), and toured the areas that had suffered from the natural disaster.

Ambassador to Ankara Comments on Saddam Husayn

91ES0447A Istanbul NOKTA in Turkish 3 Feb 91
pp 67-69

[Interview with USSR ambassador to Ankara, Albert Chernishev, by Ahmet Taner Kislali; place and date not given: "If Something Happened to Saddam"]

[Text] The Soviet Union's Ankara ambassador, Albert Chernishev, was interviewed by Ahmet Taner Kislali in connection with the Gulf war, Turkey's stance and the future of the Middle East.

[Kislali] Is there a chance for a peaceful solution in the Gulf? Did the war start too soon?

[Chernishev] Of course it started too soon. We considered 15 January as an element of pressure on Baghdad, not a limit set for starting the war. It was not as though all the nonmilitary routes for solution of the problem had been exhausted. But Baghdad's very tough attitude also played a role in the tragic dimensions the incident has taken on.

[Kislali] Neither Saddam, nor France, nor the UN secretary general, offered any hope for peaceful initiatives at the last minute. What would have changed if there had been a delay of a few more days?

[Chernishev] It is true that Saddam rejected all peace initiatives, including ours and those of the Arab countries. But there is no political logic in saying, "I'm giving you an ultimatum and I know what I will do if you do not accept it." The sanctions were in effect, and it was wrong

to expect results in such a short time. In addition, joint efforts ought to have been made to apply pressure on Baghdad. I believe that Saddam had no other remedy and would have withdrawn sooner or later. It is necessary not to forget that we are setting a precedent in the new climate of relations between East and West. We are setting a precedent for the question of how difficult problems will be solved in the future.

[Kislali] Would Saddam have withdrawn if assurances had been given on convening an international conference on Palestine?

[Chernishev] There is no connection between the invasion of Kuwait and the Palestine problem. Saddam came up with this later.

[Kislali] There is the claim that the United States and Britain were deliberately hasty for a military solution...

[Chernishev] It is very hard to say anything about the U.S. attitude. However, the American administration was caught between two fires. On one hand there was the pressure of "Here we are at Kuwait, what are we waiting for?" and on the other hand, antiwar activities were steadily increasing. Factors such as the weather and the approach of Ramadan must also have played a role. But whether such haste was right is another matter, of course.

[Kislali] Would you predict how the war will develop from now on and how long it will last?

[Chernishev] I served in Hanoi for three and one half years during the Vietnam war. It was said at that time that the Vietnamese could not last against such advanced weapons. But they lasted for 10 years. I also saw there that it is impossible to win a war by air attacks alone. People are still the most important factor in a war. We can give a more realistic estimate of how long the war will last only when the ground war begins. But this much is true, the attempt for a quick war has not worked out. The Americans are even saying it may last from a few weeks to a few months.

[Kislali] The allies have air superiority. Will the situation change when the ground war begins?

[Chernishev] The Iraqi troops have been at war for eight years. Bombs and missiles do not overly bother them. They are also used to a great deal of bloodshed. The American units, however, are made up mostly of reserves called to active duty, and they have none of this experience. This also is very important: You need two or even three times more troop strength for a successful attack. However, there is no question of such superiority now. But the Baghdad regime is a very tough regime based on a single person. Therefore, if "something were to happen" to this person, it would have a very negative effect on the Iraqi army. It is necessary to keep this in mind also.

[Kislali] How do you evaluate Turkey's attitude in the crisis?

[Chernishev] Turkey's attitude is being voiced by the authorities in the form of "it will not attack if it is not attacked." We welcome this attitude. We hold the opinion that joining the war is not in Turkey's interest. But equally as important as its own attitude is that "the others" not draw Turkey into the war. I think the polls showing that the Turkish people do not want war reflect the truth.

[Kislali] How do you interpret the permission to use Incirlik?

[Chernishev] I want to repeat one sentence: It is important that the others not draw Turkey into the war. We are opposed to an expansion of the war's boundaries.

[Kislali] Would Turkey gain anything by entering the war?

[Chernishev] Let's make an abstraction completely apart from Turkey. If a country wanted to snatch a share of a hypothetical pie, on what accounts could it act? For example, there may be the account of grabbing some land. But no one wants Iraq's territorial integrity to be damaged or would permit it. Some may promise money in exchange for entering the war. But the Americans promised Vietnam \$20 billion, which gradually dropped to 10, then 5 and then 1. In the end, they did not pay it. The United States has already spent a lot of money on this war. What will first come to mind after the war is over will be the effort to rebuild in Kuwait and Iraq. Those who want to demonstrate political solidarity with the allies will lose morally in the eyes of their neighbors. Even if Iraq has a different administration from Saddam, the Iraqi people will still remember for a long time that certain ones joined in the war. It took 25 years for us to lose our anti-German feelings after World War II. This was the greatest obstacle to reunification of the two Germanies. There is no pie to be shared by joining the Iraqi war. But there may be a pie for those who can be balanced, patient and smart.

[Kislali] Do you share the view that there is a danger for Turkey as long as Saddam and Iraq's military power exist?

[Chernishev] No, I don't. You have no serious problem with Iraq except water. Saddam probably could not come to Turkey to get water and then return to Iraq. Therefore, I do not think he constitutes a true threat for Turkey. You had an active economic cooperation with Saddam, and you have a common interest in developing this cooperation.

[Kislali] What kind of government would be formed if Saddam were overthrown? Is there a possibility of the formation of a Kurdish state in northern Iraq?

[Chernishev] It is hard to say what kind of regime will come in Iraq if Saddam goes. But it must not be a puppet regime; instead it must be able to represent the Iraqi people in the full sense. As for the existence of the threat of a Kurdish state being formed in the north of Iraq, I do

not think so. No one wants Iraq's territorial integrity violated, and this would not be permitted.

[Kislali] What kind of developments do you expect in the Middle East after the war?

[Chernishev] I want to believe that positive changes would take place after the war. Tension may be reduced and the level of armament brought down. This is a region remote from the blocs. Blocs are a thing of the past anyway. Relations must be based in the future on active cooperation between regional countries. A mechanism for political consultation may be formed for preserving peace and stability. Moreover, a very wealthy economic community may be formed. The United Nations could perform the function of a guarantee against the desires of some to influence the region unilaterally and keep it under pressure.

[Kislali] Could postwar circumstances facilitate solution of the Palestine problem?

[Chernishev] The very long period of time that the Palestine problem has gone without solution is not conducive to optimism. But the cleansing effect of events in the Gulf region and the changes in East-West relations are two important factors. We are sure the Palestine problem will be solved in the future.

[Kislali] Will the Iraqi government resort to chemical weapons if hope is gradually destroyed?

[Chernishev] There is such a possibility, but we think common sense exists in Baghdad and that chemical weapons will not be used. The use of such weapons is very dangerous. And retaliation may occur. Still I do not think the United States and the others would resort to weapons of mass destruction in return.

[Kislali] Is it true that the short range of the Scud missiles in Iraq is being extended by Soviet experts? For example, could the missiles being sent from Iraq reach Ankara?

[Chernishev] We sent these missiles to Iraq 15 years ago for defense purposes. The success in extending the range is the accomplishment of Western experts. With the help of Western engineers during the Iran-Iraq war, they added one stage to some of them and two stages to others.

[Kislali] What is your response to the view that the USSR is taking advantage of the West's preoccupation with the Gulf war to intervene in the Baltic republics?

[Chernishev] We have some problems, and there is no link between them and the Gulf crisis. It is a complete coincidence that certain events are occurring at the same time.

Lebanon's al-Harawi on Palestinian Issue

91UF0463A Moscow PRAVDA in Russian 11 Feb 91
Second Edition p 5

[Article by Andrey Stepanov, Beirut: "Nature Bears No Vacuum"]

[Text] Beirut—The deployment of 2,000-strong Lebanese Army units to the southern areas of the country is under way with a view to restoring the central government's control and providing security there. Troop columns are being cordially welcomed by the locals who are tired of conditions bordering on anarchy.

The Shiite groups Amal and Hizballah have expressed their consent to the government's decision to deploy troops to the south in order to restore lawful power there and ensure necessary conditions for the implementation of Security Council Resolution No. 425 dated 1978, in cooperation with the UN units stationed there. As is known, this resolution calls for a complete withdrawal of Israeli troops from Lebanon. The decision of the Lebanese authorities was vigorously supported by Syria. However, the attitude toward this step of various detachments of Palestinian resistance, which number between 8,000 and 10,000 men in South Lebanon, remains contradictory. For example, the Democratic Front for the Liberation of Palestine insists on the need to open a second front against Israel in South Lebanon in support of Iraqi President Saddam Husayn and calls on all Palestinians to take part in it.

As if to confirm this position, intensive firefights between the Palestinians and Israeli troops supported by the "South Lebanese Army" have continued for days. Israel has shelled Palestinian positions and camps, in particular the largest camp, al-Rashidiyah, from land, sea, and air.

Tel Aviv has stated that it does not object to the deployment of the Lebanese Army to South Lebanon, on the condition, however, that "terrorist attacks" on Israel be brought to an end.

President of the country I. al-Harawi outlined the position of the Lebanese authorities on this quite sensitive issue in a conversation with Soviet journalists. In particular, he said: "The Palestinian issue lies close to our hearts. Our country has sacrificed and sacrifices a lot to support the just struggle of the Palestinian people for their rights. However, some regional forces want to use the Palestinian presence in our territory in order to continuously frustrate the process of internal settlement and thus subordinate Lebanon to their influence.

"We support the intifadah—the uprising of the Palestinian people on the occupied lands. However, what the Palestinian resistance does on the land of Lebanon is unacceptable to us. If the Palestinians want to open a second front against Israel from our territory, we categorically disagree with this. Senseless rocket attacks on

Israel from our territory accomplish nothing for the liberation of Palestine but merely invite Israeli retaliatory strikes."

Meanwhile, the Lebanese units have been gradually taking positions in the south of the country. Theirs is a difficult task but, as local observers believe, not an impossible one.

King Fahd Profiled as Politician, Ruler

91UF0482A Moscow ARGUMENTY I FAKTY
in Russian No 7, Feb 91 pp 4-5

[Article by V. Konovalov based on articles in the foreign press: "Saudi Oil and Gold"]

[Text] The events of recent months in the Persian Gulf zone could not but rivet our attention on countries and rulers that previously were not often covered in our press, for example, Saudi Arabia and its royal dynasty.

As a state, Saudi Arabia emerged in the first 30 years of the 20th century as a result of the forcible unification of Arabian tribes by the legendary military leader Al Sa'ud.

They believe that Al Sa'ud had 17 official wives, five of whom had the title of "the first wife." These five wives bore him 12 boys (the rest bore another 23 boys). At present, the royal family numbers about 5,000 males who are related to varying degrees. Virtually all significant state posts in Saudi Arabia are distributed among them.

After the death of Al Sa'ud, the throne was inherited by his son from the first wife—also Sa'ud—who was subsequently dethroned by his half-brother (the eldest son of the second wife of Al Sa'ud) Faysal and died in exile. In turn, Faysal was murdered in 1975 by one of the princes from a remote offshoot of the clan. Subsequently, after a reign of seven years, Al Sa'ud's son from his third wife, Khalid, and his death, Fahd became king. He is the eldest son of the fourth wife of the dynasty founder.

The Western press described the life of the young Prince Fahd quite colorfully. To the authors of "society columns," he appeared to be a great connoisseur of Scotch whisky, American cigarettes, and Russian caviar. Women were his passion as well.

However, Fahd turned out to be a calculating and far-sighted politician after he gave up his past passions under the influence of King Faysal and was appointed to state positions (initially minister of education and subsequently minister of internal affairs). They believe that he later displayed the same traits on the royal throne.

According to a legend, all the gold of the founder of the Sa'ud dynasty fit in a small wooden box that the then minister of finance (simply put, treasurer) put under his bed at night. However, a stream of petrodollars that surged into Saudi Arabia after World War II (especially since the mid-1970's) has made the Saudi monarchs

fabulously rich. The kingdom received between \$20 and \$100 billion a year for oil exports in the 1970's and 1980's.

The scope and, on occasion, extravagance of the projects implemented in Saudi Arabia in these years overwhelm one's imagination. The building of super-modern highways, airports, hospitals, schools, and universities in the Arabian desert proceeded simultaneously with the erection of opulent royal palaces (the al-Yamamah complex in the capital city built in the Empire style is the largest), purchases of huge estates in Europe and America, and acquisition of jets, yachts with golden faucets in the toilets, as well as expensive limousines for the royal family.

To be sure, some things that were planned did not work out. For example, the planned delivery of icebergs from the Antarctic to the shores of Arabia in order to provide sweet water for the peninsula was not carried out: No transportation company undertook to "drive" icebergs across the equator.

However, be that as it may, all Saudis were given access to high-quality free education and health care within a relatively short period of time due to the petrodollars (and largely also to the policy of Fahd). The number of private cars, athletic facilities, and so on in the country skyrocketed.

In keeping with an old Muslim custom, once a week the monarch is prepared to receive any of his subjects in person on the appointed day.

Fahd has three wives and six sons. As the press reports, recently the health of the Saudi monarch has left a lot to be desired.

The Iraqi occupation of Kuwait, the deployment of multinational forces to Saudi Arabia, and subsequently the beginning of hostilities will undoubtedly bring about serious changes both in the Middle Eastern region on the whole and in the Saudi kingdom in particular. The British newspaper *FINANCIAL TIMES* wrote: "The common opinion is that the crisis in the Persian Gulf will become a catalyst for changes in Saudi Arabia, and their extent will depend on the nature of the development of this crisis."

Afghan Province Seeks Soviet Specialists

91UF0484A Moscow *PRAVDA* in Russian 14 Feb 91
Second Edition p 4

[Article by *PRAVDA* correspondent V. Plastun: "In the 'Oases' of Jalalabad. Afghanistan Awaits Soviet Specialists"]

[Text] Kabul—*alalabad*, the seat of Nangahar, a south-eastern Afghan province, was used for a long time as the

winter residence of the country's kings (amirs). Its climate is warm, its groves are green, and its population is hospitable. After the withdrawal of Soviet troops, the extremist opposition rushed in March 1989 to storm the city because it is situated close to the border with Pakistan, where the seven largest opposition groups are headquartered in Peshawar. The goal—to turn the city into the capital of "a provisional mujahidin government" after it is captured, and to secure international recognition—was not achieved.

... Several days ago I visited Jalalabad with a Soviet economic delegation. I started talking with the chief of the delegation, L.G. Saakyan, while still en route from Kabul by helicopter. In his opinion, we should have reconsidered Soviet-Afghan economic relations long ago and developed cooperation in this field on the basis of mutual advantage.

We inspected some facilities: the Jalalabad Irrigation Complex, a pumping station, a canning factory, and other enterprises. Our conversation then turned to Soviet specialists whose services are badly needed here. The following question was asked in return: Can the safety of Soviet people be ensured if they come here to work? After all, the war goes on. Tribal skirmishes also happen.

Assurances followed: "The absence of a threat to Soviet specialists providing aid to us will be ensured."

Negotiations were under way for two days; details were specified. The province needs help in order to restore a dam for providing water to its southern regions, adding power station capacity, and so on.

The governor general of Nangahar, Ludin, is a professional soldier. He graduated from the Ryazan School of Airborne Troops and the General Staff Academy. He is now working on economic problems. We asked him about his administrative efforts.

"In all honesty, it is easier to advance from lieutenant to general than figure out the intricacies of economics. However, I am gradually making progress."

Our interlocutor said: "The situation in the province is complex. For example, several days ago I met with two detachment commanders of 'the steadfast' from the Wahhabi group. They are from Konar Province. Apparently, we agreed that 1,500 men would discontinue hostilities. Another 10,000 of their unarmed fellow tribesmen will also switch to a peacetime footing together with them. Many people are coming over here from Konar, which is controlled by the opposition. Over there, a conflict is under way among governors from three opposition groups; they just cannot divide up power."

ANC Official Interviewed on Political Goals

91UF0462A Moscow IZVESTIYA in Russian 11 Feb 91
Union Edition p 5

[Report on interview with Terrence Trion, regional representative of the ANC in Angola, by M. Pavlov in Luanda; date not given: "T. Trion: 'The ANC Is 'For,' 'But...'"]

[Text] Luanda—As already reported in IZVESTIYA, important events have been occurring in South Africa: There has been a meeting between N. Mandela, vice president of the ANC [African National Congress] and Inkatha leader M. Buthelezi, and at an open session of the South African Parliament on 1 February President F. de Klerk advocated abolition of the unjust laws on land, separate living, and the registration of citizens. The same day the ANC began a protest campaign against the apartheid regime. Terrence Trion [name as transliterated], regional representative of the ANC in Angola, comments on these events.

"We undoubtedly welcome the changes announced by the South African president which are to acquire the force of law," he said. "The ANC views this step as an endeavor to remove the existing obstacles to negotiations with the government. But, on the other hand, we are disturbed by the fact that certain declarations are not being backed materially. Take, for example, that same land act, rather, the 1913 and 1936 acts. On the basis of them the white minority owns 87 percent of all land, the rest belonging to the black majority. If such inequality is abolished, from where will Africans get the money to redeem the land? What is astonishing also is the fact of the government meeting with white farmers, whom it assured that it would not jeopardize their legitimate ownership of the land. Yet struggle for it is a principal aspect of the domestic political life of South Africa."

As T. Trion went on to observe, the contacts between the rival forces of the antiracist opposition—N. Mandela's meeting with M. Buthelezi and also the leadership of the Pan-African Congress—have exerted a positive influence on the development of the situation in South Africa. The main question discussed was a halt to the violence, which is leading only to chaos and uncertainty. Even business circles are hesitant today to make definite decisions on South Africa's further economic development. Such a situation should not be allowed to drag on. The above meetings made progress in a solution of the problem possible. The sides reached an understanding that the violence is born not of ideology but a shortage of land, unemployment, and other social problems typical of the black community.

[Pavlov] Was it possible to bring the positions of the ANC and Inkatha closer together on other aspects or do the disagreements persist?

[Trion] There are such, undoubtedly. Primarily on questions of armed struggle against the apartheid regime and economic sanctions against it. These are the main differences. Nor did Inkatha support our proposal concerning the convening of a constituent assembly and the creation of a transitional government, evidently fearing that power would end up with the ANC.

[Pavlov] In the event of the formation of a transitional government, what would its tasks be and how should it be formed?

[Trion] This would be, in our view, a body composed of representatives of different parties who would assume leadership of the country in the transitional period. We are approaching the need for its formation, in any case, particularly if we consider F. de Klerk's statement on registration of the population. If this becomes a reality, there will immediately arise the question of the legitimacy of the present government because it was, apparently, elected by only 10 percent of the population.

[Pavlov] People are beginning to talk about disagreements in the ANC leadership between the veterans and the younger generation. What can you say in this connection?

[Trion] Discontent with the ANC leadership's so-called separate negotiations with the government was, indeed, expressed at the last conference. They gave rise to heated arguments. Nonetheless, we managed to achieve a common opinion and form directly at the conference a group which would conduct negotiations with the maximum publicity. It is therefore hardly appropriate to talk about disagreements, this was rather a problem of the ANC leadership's inadequately organized information relations with the structures locally, which is explained by the prolonged illegal status of our organization.

[Pavlov] There are elections tomorrow, say. What chance of success does the ANC have?

[Trion] This question excites us and the world community. Many people, F. de Klerk's government included, are afraid of our victory. For this reason it believes that the longer the negotiating process lasts, the more the ANC's positions in the black community will be undermined. But according to opinion polls, which are in fact conducted weekly in South Africa, the ANC has the support of 60-70 percent of the country's population. Yes, it is difficult for us to maintain our positions for a number of reasons. Many people are insisting on continuation of the armed struggle, which we have renounced, which is causing unhappiness even in our own ranks. Nor can we underestimate the intensive propaganda against the ANC and the South African Communist Party which is being conducted in the mass media. Nonetheless, people are following us, we are believed and we are supported morally and materially. Terminating the struggle would mean allowing F. de Klerk to undertake the dismantling of apartheid at his discretion. The struggle, therefore, will not be terminated.

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