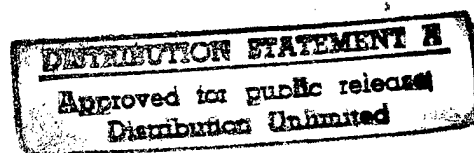


JPRS-UIA-92-001  
17 JANUARY 1992



**FOREIGN  
BROADCAST  
INFORMATION  
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# ***JPRS Report***



## **Central Eurasia**

***International Affairs***

19980128 184

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## N O T I C E

***Name Change of Publications***—Given the course of events in the former Soviet Union, the titles of JPRS and FBIS Soviet publications have been changed to *Central Eurasia*.

***Cancellation of Publication***:—The JPRS series, *Soviet Union/International Affairs*, will cease publication effective this issue. Material relating to Russian and Commonwealth international affairs will henceforth appear in the FBIS series *Central Eurasia/Russia*. International affairs material relating to the other former Soviet republics will appear in the FBIS series *Central Eurasia/Baltic and Eurasian States*. Subscribers to the *Soviet Union/International Affairs* report should currently be receiving both the *Central Eurasia/Russia* and *Central Eurasia/Baltic and Eurasian States* reports. If you are not receiving these publications please call the appropriate number listed in the information section on the back cover of this issue.

# Central Eurasia

## International Affairs

JPRS-UIA-92-001

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### **Impact of Abolition of Union Foreign Ministry Assessed**

*92UM0285A Moscow TRUD in Russian 26 Dec 91 p 3*

[Interview with Mikhail Leonidovich Kamynin, press secretary of the Russian Foreign Policy Department, by TRUD correspondent N. Baratov: "News From Smolensk Square"]

[Text] On 18 December 1991 Russian President B. Yeltsin signed the Ukase on the Foreign Policy Department of the RSFSR, which abolishes the former Union's Ministry of Foreign Relations and calls for the establishment of a Russian diplomatic service. M.L. Kamynin, press secretary of the Russian Foreign Policy Department, told our TRUD correspondent about the first steps taken in this direction.

[Kamynin] The ukase of 18 December is already being put into effect. Working contacts are now underway between officials of Russia's Ministry of Foreign Affairs and those of the former Ministry of Foreign Relations of the USSR. On Monday, for example, Russian Minister A.V. Kozyrev met with the expanded board of the Union ministry being abolished. In his address he stressed, among other things, the fact that the Russian leadership greatly appreciates the capability which exists in the former Ministry of Foreign Affairs of the USSR and intends to make every effort to avoid destroying or losing what the Union has achieved in the international arena.

As of Monday, operational control of the entire structure of the former Ministry of Foreign Relations of the USSR was actually turned over to Russia's diplomatic department. The fact must be emphasized that the entire former staff are continuing to work at their stations for now. A certain reduction in personnel is planned, to be sure, which presently number more than 3,500. Preliminary calculations call for Russia's Ministry of Foreign Affairs to have somewhere around 2,500 personnel.

I repeat, however, that the constructive integration of Russia's foreign policy service and the former Ministry of Foreign Affairs of the USSR will be based on a search for more effective and efficient ways to use that expert capability which the associates on Smolensk Square possess.

[Baratov] Will the foreign policy departments of other members of the Commonwealth of Independent States be represented in the former Union's embassies abroad?

[Kamynin] This matter will be decided on the basis of consultations and talks, which have already been initiated between Russia and the other sovereign states which signed the Agreement on the Establishment of the SNG [Commonwealth of Independent States] in Alma-Ata. And if any of them expresses a desire to have diplomatic representation in any specific country (with which it will sign a corresponding agreement), a part of the building now under the authority of Russia will be turned over to that sovereign state under the terms defined in our

consultations and talks. The process of creating such a mechanism is only beginning, however.

What is more, I might add, one of the main objectives of Russia's Ministry of Foreign Affairs is to provide active assistance to all the sovereign states which are members of the SNG in the establishment and development of normal relations with the outside world.

### **Implications of Russia's Assumption of UN Membership**

*92UF0421A Moscow PRAVDA in Russian 28 Dec 91 p 1*

[Article by Vsevolod Ovchinnikov: "Taking Up the Torch With the Right of Veto"]

[Text] So Russia has taken the Soviet Union's seat in the UN. The change, moreover, was amazingly simple. Without any procedural red tape, debate, consultation, or claims, the UN General Assembly was informed that "the Soviet Union's membership is now continued by the Russian Federation," which retains "responsibility for all the rights and obligations of the Soviet Union in accordance with the UN Charter."

Although the Union's legacy carries the valuable attribute of the right of veto in the Security Council, it passed into Russian possession without any debate at all. There were reasons for this. Especially with respect to those who could easily have blocked the measure. When the participants in the Commonwealth of Independent States agreed in Alma-Ata that Russia should occupy the seat of the permanent member of the Security Council, the four other holders of the right of veto (the U.S., Great Britain, France, and China) took the news with relief. Because, in the words of the NEW YORK TIMES, it made it possible to avoid undesirable debates as to the make-up of the Security Council or a revision of the UN Charter.

Yet demands of this sort have been heard among members of the world community for some time now. It's not just that the number of members of the UN has risen more than threefold in the postwar period; the geopolitical deployment of forces has also changed greatly. The original founders of the UN were the victor states, while Japan, Germany, and Italy, being "hostile states," remained outside the UN for some time. Now, all these countries are no longer willing either to accept this characterization or the monopoly on the right of veto in the Security Council. They think it's time to review the make-up of the permanent members. For example, Japan and Germany passed up Great Britain and France long ago in terms of financial and economic power. For this reason, Italy proposed that the European Economic Community be made a collective possessor of the right of veto, replacing London and Paris. Then Japan might have a claim on the remaining vacant seat on the "Big Five."

Incidentally, it's not just the losers of the war who want to revise the UN Charter. Major states like India and Brazil are also aspiring to the role of permanent members of the Security Council. They claim that the developing "South"—that is, Asia, Africa, and Latin America—are not adequately represented there. Recently a group of UN members raised the question in the General Assembly of expanding the Security Council on the basis of criteria such as population size, economic potential, and financial contributions to the UN. India emphasized that a plan of that sort was formulated back in 1979.

Obviously, the present holders of the right of veto prefer not to change the make-up of the permanent members or the principle of unanimity when making vital decisions. This is why it is in their interest to make the transfer of the USSR's seat to Russia as simple as possible. For Great Britain and France such a successor is better than the Commonwealth of Independent States, because the commonwealth would set a precedent for the EEC. As for the U.S. and China, neither Washington nor Beijing would be happy if Tokyo got the right of veto.

Incidentally, no matter what people say about the UN Charter ignoring changes in the world, the present permanent members of the Security Council have a weighty argument backing their claim to a key role in the community: all five members—and they alone—are nuclear states, and by virtue of this they bear special responsibility for international security. And because the USSR's nuclear potential is based primarily on Russian territory, and it is the Russian President's finger that is on the "red button," giving the USSR's seat on the Security Council to Russia seems to be the logical decision.

### Prospects for UN Reform Under Ghali Viewed

92UF0420A Moscow IZVESTIYA in Russian 2 Jan 92  
Morning Edition p 4

[Article by New York IZVESTIYA correspondent Aleksandr Shalnev: "A New Broom at the UN. Is the Top Bureaucratic Echelon To Be Cut Back?"]

[Text] Having occupied the post of General Secretary for 10 years and failing to achieve what he secretly hoped for—to be elected for another five-year term of leadership of the international community—Peruvian Perez de Cuellar retired. On 1 January he was replaced by Egyptian Butrus Ghali, who is nearly 70 years old. But in his own view and in the testimony of those who know him well, he is full of energy and strength.

The new General Secretary has let it be known in advance that one term is all he is counting on, and that he isn't going to get involved in the pre-election ordeal in 1996. In the view of observers, this is one of Butrus Ghali's definite pluses: when he does anything he won't

have to keep giving advance thought to how some action or decision he makes will affect his chances for re-election.

And indeed the new GS faces plenty of tasks requiring bold decisions, and it will be hard to satisfy each of the 160-odd countries which are members of the community. The most important task is to reform the structure of the basic departments, in particular the Secretariat. Butrus Ghali has made it known that reform will be his key task.

IZVESTIYA has dealt with this theme many times—the necessity of radical restructuring of the UN, which, in the half-century of its existence, has come to be a sluggish, costly, and not very effective bureaucratic mechanism in which words are clearly preferred over deeds and which is in no way prepared for the serious missions now assigned to the international community.

It is hard to consider very effective an organization which annually brings forth about half-a-billion pages of all kinds of documents whose preparation, translation, proofreading, and printing consume tens of millions of dollars. The bulk of these documents is never read by anyone except their authors.

If Butrus Ghali is really serious about reform, he won't have to start from scratch. A draft reform plan has been circulating around the corridors of the UN with increasing frequency, prepared by a number of former high-placed UN officials and now supported by representatives of 20 countries. One of the main ideas in it is that of substantially cutting back the top bureaucratic echelon and giving more responsibility to those who remain; this will free the GS's hands and brains to deal with really important things rather than getting distracted with trifles.

The plan also calls for curbing the ever-expanding agenda of annual sessions of the General Assembly, an agenda that frequently deals with issues and problems of little interest to anybody. There is also talk of eliminating departments which have long since outlived their usefulness or necessity, for example the Trusteeship Council, which no longer deals with anything but continues to exist and, naturally, swallows up a lot of money.

That the UN's role ought to grow, and will, is something no one doubts. A number of resolutions which were adopted literally during the final days of this year's General Assembly session made it possible to take definite steps toward having the UN take on functions it didn't use to have at all, some of them, in fact, being inconsistent with the basic Charter. I refer to functions of intervening in the internal conflicts of member countries of the UN.

The Charter does permit intervention in conflicts between countries, with substantial provisos, but the Charter that was adopted nearly a half-century ago has grown obsolete, like the structure of the organization, and amendments and modifications are needed in it as well.

**World Impact of 1991 Changes in USSR  
Discussed**

924B0185A Moscow *RABOCHAYA TRIBUNA*  
in Russian 31 Dec 91 p 3

[Article by Aleksandr Oskin: "We Won the Peace  
Without Firing a Shot"]

[Text] If the past year could really be presented in the form of a gray-haired old man, we would be unable to make out the tip of his red fur hat from under the pile of stones. Our fellow citizens have already fired such a long lasting and heavy burst of shrapnel on the departing 1991, that he has been beaten to a pulp under the hail of charges and rebukes... I want to come to the old man's defense.

As we all know, greatness is visible in the distance. Due to momentary problems and political vanities, not all of us realize that in 1991 the entire civilized world made a qualitative leap forward. As if man realized the earth does not rest upon four elephants, but is round, whole, and equal for all of her inhabitants.

The past year gave us the comfort of global peace and geopolitical security. The ominous shadow of thermonuclear conflict has receded and we have stopped breathing the poisonous aftertaste of ideological hangover and class hatred one after the other. It is over! In the past year, World War II finally ended, which was unleashed

by the leaders of totalitarianism, as was the Civil War that was unleashed against the people by the Bolsheviks and monarchists together with the two Guards. The red wheel, having taken a "record" harvest for humanity from its own people and from which the civilized world recoiled in horror and contracted into a lump, has stopped. Thank God, it has stopped. It happened yesterday. Let us thank ourselves and our fellow citizens who were victorious over the monster. We will be grateful to M. Gorbachev and his team of reformers who freed both us and the world from the fear of war, from the shackles of spiritual and economic slavery, and from the duty to die for someone else's "just cause."

The past year firmly established freedom for the peoples of Europe and Northern Asia who had been enslaved by totalitarianism. All of our former likely and unlikely enemies have been transformed into friends and partners in reform. In the past year, the United States and its NATO allies met nearly on a monthly basis and developed newer and newer "treacherous" plans...

We were treated and continue to be treated like someone who is sick. And it is so. We are sick. It is difficult. Unbearable. But, take note, without an army or weapons, without pressure or threats, we were able to win the peace, to put it to work on our defects. Does this not attest to the fact that last year was the beginning of a new era: the Great Convergence of Human Individualism?

**Free Economic Zone Activity Detailed by Republic**  
924A0334A Moscow *EKONOMIKA I ZHIZN*  
in Russian No 48, Nov 91 p 7

[Article by I. Yevtushenko; place and date not given:  
"Zones for Entrepreneurs"]

[Text] The Soviet Union was always a country of record-breakers. Under the new economic conditions we have already beaten the whole world for the number of exchanges created in the country, and free economic zones (FEZ) have started to compete with them. More than 10 regions of our country are already busy setting them up. In preparation are FEZs of Moscow (VDNKh [Economic Achievements Exhibit]), St. Petersburg, Novgorod, Zelenograd, Kaliningrad, Buryat, Chitin, Taymyr, Tomsk, the Jewish Autonomous Okrug, and Nakhodka.

In the Primorskiy and Khabarovskiy krays alone, the desire to create analogous duty-free territories has been declared in more than 30 rayons. On 26 June, the RSFSR Council of Ministers passed several provisions toward activating the process of creating FEZs in these rayons. Instructions to facilitate their realization and development have been sent to the appropriate offices, ministries, and departments.

**In the mirror of criticism:** According to data from RSFSR Goskomstat (State Committee for Statistics), the total area of all 13 FEZs in Russia is 1.2 million square kilometers, on which reside more than 18 million people—12 percent of the republic's population.

However, the farther the hopes proclaimed for FEZs are from realization, the greater the scale of destroying old structures, given our inability to create real, hopeful beginnings.

Nevertheless, several of the new FEZs do have decent chances for success. One of them is the Sakhalin FEZ, especially because of the specifics of its geographical position. By its very nature removed, the enclosed space of the island of Sakhalin in itself obviates the problem of social tension that has arisen alongside FEZs that limit access by "outsiders" by whatever means necessary, including barbed wire.

The Sakhalin FEZ was created with the aim of accelerating the region's socioeconomic development, increasing its export opportunities within the Russian Federation, and developing the production of high-quality import-replacing output. All this is being done in line with the general orientation toward developing trade-economic and scientific-technical cooperation with foreign countries and ensuring favorable conditions for attracting foreign capital, technology, and managerial experience. To this end, for example, the provision on its formation specifies favorable tax and customs rates and a simplified procedure for import-export operations. Foreign investments here enjoy total protection; no discrimination of any type is permitted, including nationalization and measures analogous in their consequences.

**In the mirror of statistics:** The participation of foreign capital in the statutory fund of joint enterprises located in

FEZs exceeds 60 percent, whereas on average in the RSFSR this share is lower—only 40 percent.

The weak link in the activities of our native FEZs is quite rightly considered to be management.

If a zone is to function normally, strategic management must be performed by its administration, which includes both representatives of the enterprises and delegates of the local congresses of people's deputies. To help the managers and for the rational economic utilization of the administration's resources, state corporations for the assimilation of natural resources may also be attached in order to present proper limits, quotas, and licenses for the utilization of natural resources. The organs of state power of Sakhalin Oblast have the right to intervene in the activities of the FEZ administration for the purpose of establishing within it zonal taxes, which can be paid in the Sakhalin island zone by means of proportional participation in the enterprises or acquisition of property, shares, and other securities.

Finally, there is the right to create enterprises and affiliates belonging wholly to foreign investors, which implies the acquisition of land use rights on the basis of long-term leases for up to 70 years.

Most delicate today is the question of hard currency transfers abroad. Foreign investors are guaranteed transfer abroad after the payment of taxes of sums of foreign currency they receive in the form of profit, as well as in connection with the sale by them of all or part of their share in the statutory fund of an enterprise with foreign investments, exit from it, or liquidation of the enterprise.

The profit foreign investors receive in Soviet rubles within the limits of the territory of a FEZ may be freely reinvested and used on the territory of the zone, as well as transferred abroad by means of the legal acquisition of foreign currency for rubles at the current market rate. They may also open current and payment ruble accounts in banks of the FEZ with the right to operate over the entire territory of the RSFSR.

It has been proposed that some of the FEZs created in the Far East be located in rayons equated for hardship benefits with the Far North. Therefore corresponding benefits must be extended to them as well. This type of situation is already being planned for the Sakhalin FEZ.

**In the mirror of statistics:** The efficiency of export output produced by joint enterprises in FEZs, RSFSR Goskomstat reports, is higher than the efficiency of all Russian exports by 20 percent.

True, the presence on Sakhalin of the necessary conditions for a FEZ is far from guaranteed. There are still great problems with the infrastructure and labor resources. Developing an infrastructure that meets modern requirements includes building housing for native and foreign workers, improving communications, roads, and telecommunications, and organizing the reliable provision of water, fuel, and electricity for the FEZ. All these problems are present in practically all the new FEZs, but on Sakhalin they are particularly acute. For instance, already housing construction must begin on the island for potential foreign specialists. This would be proof of the serious intentions of the local powers and would serve for advertising purposes.

Another concrete step in the creation of the region's infrastructure has been the transfer of the Sokol former military airport to civilian needs. The problem with labor resources could be resolved with the participation of foreign citizens in the capacity of specialists and workers.

Difficult problems also face the financial-credit and currency systems. To resolve these, a Commercial Development Bank is being created on Sakhalin. Procedures are already being determined for paying Soviet citizens

working in the FEZ, for wages in foreign currency, and for the taxation of those payments.

Practice shows that the FEZs have yet to be rid of problems. On the contrary. But the real opportunity to improve the economic situation of that Far Eastern region on that basis already exists. The region is rich in useful minerals, which itself should attract its nearest foreign neighbors. The inhabitants of Primorye and Sakhalin too are full of resolve about the transformations. For now, though, we all over the country are bound up in a tight knot of common contradictions, economic and social as well as political, and real success is very hard to envisage.

Number of Functioning Joint Enterprises, by Economic Branch, as of 1 April 1991

|            | Total             | Including              |                            |                                     |                                                           |                                                                |
|------------|-------------------|------------------------|----------------------------|-------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------|
|            |                   | Industrial Enterprises | Construction Organizations | Trade and Public Eating Enterprises | Scientific Research and Experimental Design Organizations | Enterprises and Organizations of Other Branches of the Economy |
| USSR       | 1188              | 481                    | 70                         | 100                                 | 103                                                       | 434                                                            |
| RSFSR      | 733               | 315                    | 44                         | 69                                  | 65                                                        | 240                                                            |
| Ukraine    | 125               | 59                     | 4                          | 7                                   | 14                                                        | 41                                                             |
| Belorussia | 52                | 28                     | 1                          | 4                                   | 2                                                         | 17                                                             |
| Uzbekistan | 17                | 5                      | —                          | —                                   | 2                                                         | 10                                                             |
| Kazakhstan | 12                | 8                      | —                          | —                                   | —                                                         | 4                                                              |
| Georgia    | 32                | 8                      | 2                          | —                                   | 7                                                         | 15                                                             |
| Azerbaijan | 1                 | —                      | 1                          | —                                   | —                                                         | —                                                              |
| Lithuania  | No data presented |                        |                            |                                     |                                                           |                                                                |
| Moldova    | 27                | 6                      | —                          | 2                                   | 5                                                         | 14                                                             |
| Latvia     | 85                | 23                     | —                          | 2                                   | 4                                                         | 56                                                             |

Source: USSR Goskomstat.

Joint Enterprises Operating on the Territory of the USSR, as of 1 April 1991

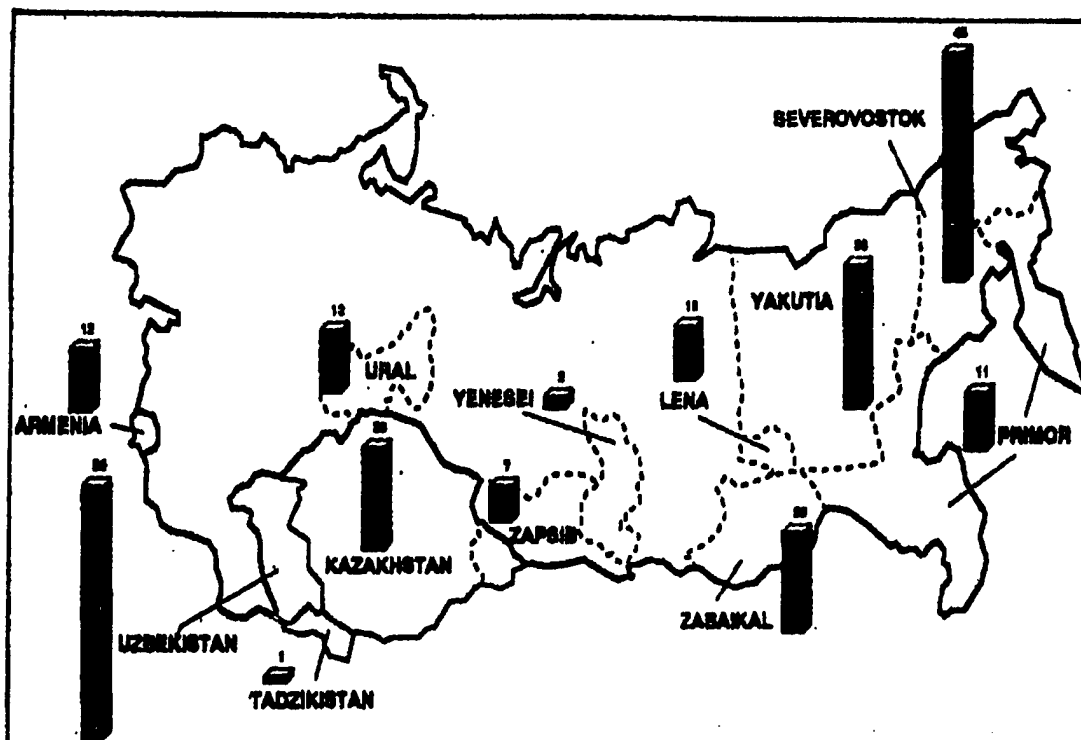
|            | Number of Active Enterprises | Number of Enterprises Producing Output (Jobs, Services) | Total Production of Output (rubles) |
|------------|------------------------------|---------------------------------------------------------|-------------------------------------|
| Total      | 1188                         | 948                                                     | 2258                                |
| Industrial | 481                          | 392                                                     | 1263                                |

Source: USSR Goskomstat.

Sale of Goods and Services on the Soviet Market by Joint Enterprises, by Union Republic (millions of rubles)

|            | 1988              |            | 1989              |            | 1990              |            |
|------------|-------------------|------------|-------------------|------------|-------------------|------------|
|            | For hard currency | For rubles | For hard currency | For rubles | For hard currency | For rubles |
| USSR       | 1                 | 44         | 198               | 843        | 653               | 3460       |
| RSFSR      | 1                 | 9          | 175               | 597        | 581               | 2458       |
| Ukraine    | 0                 | 1          | 14                | 48         | 32                | 310        |
| Belorussia | —                 | —          | 1                 | 35         | 14                | 157        |
| Uzbekistan | —                 | 25         | 0                 | 83         | 0                 | 171        |
| Kazakhstan | —                 | —          | —                 | —          | 0                 | 8          |
| Georgia    | —                 | —          | 0                 | 13         | 1                 | 76         |

Source: USSR Goskomstat.



### Soviet Gold Production, Reserves Analyzed by the West

92UF0318A Moscow IZVESTIYA in Russian  
7 Dec 91 p 4

[Article by E. Guseynov: "People in Switzerland Know More Than Our Citizens About Soviet Gold"]

[Text] In spite of all the political scandals connected with gold in recent months, in spite of the declassification of many previously confidential spheres of public life after the failed August coup, all of the basic information about gold mining in the republics of the former Union and the country's gold reserves is still inaccessible to the general public. Today we are publishing a map compiled by renowned English analyst Andrew Smith. It is a graphic portrayal of the proportion accounted for by different regions of the USSR in the total amount of gold mined in our country.

The data in the diagram are not complete: They do not include the gold mined in Azerbaijan (2 tons a year) and Kyrgyzstan (1 ton). Besides this, Smith's data are based on minimal estimates of the amount of gold mined in the USSR, which he sets at approximately 220 tons in 1991. Judging by all indications, the Englishman did not include the gold produced by cooperatives, which sometimes work outside the territory of regional gold mining concerns and produce, according to our data, up to a third of the gold output in the USSR.

It is interesting that after Yavlinskiy made his famous statement in September about the depletion of Soviet gold reserves, the English analyst expressed doubt that the USSR had only 240 tons of gold. He believes that the figure did not include what he refers to as the monetary reserves of USSR Gosbank—approximately 374 tons, and the 110 tons kept abroad. Therefore, the Union's total reserves on 1 January 1992 could be estimated at around 800 tons.

IZVESTIYA will continue addressing the "gold" topic and its many mysteries in the next few days.

### OECD Proposal for Rendering Aid to Republics

92UF0286A Moscow DELOVOY MIR in Russian No  
255 12 Nov 91 p 2

[OECD Proposals on Aid to Soviet Union and Republics]

[Text]

#### I. Goals and Methods

1. This document is a general outline of the OECD (Organization for Economic Cooperation and Development) proposals on aid to the Soviet Union and the republics, with a view to the latest political events in the Soviet Union, and the technical assistance programs of the European Commission and other international organizations.

Recent political events have had a tremendous impact on the Soviet Union's economic and political development. All of these factors were taken into consideration when the OECD drafted its proposals.

In spite of the current events, some types of aid should be extended now. On the one hand, they will be intended to satisfy immediate needs and, on the other, to finance short- and medium-range economic reforms.

a) In the category of immediate aid, the OECD proposes the use of its knowledge and experience in agricultural markets and policies for the purpose of extending food aid and assistance in distribution (particularly assistance in preventing the continued reduction of production and distribution). The OECD also proposes that these types of aid be linked with the general reforms.

b) As far as medium-range aid is concerned, the OECD proposes assistance in the areas in which it has the most experience, namely:

the development of markets and their infrastructures;

the establishment of a new legal and social structure in the economy (for example, assistance in drafting laws);

assistance in economic-policy debates pertaining to general economic strategy and specific sectors or structural aspects;

the internal coordination of macroeconomic policy and structural or general reforms;

the establishment of reliable economic statistics.

2. The OECD will use the following criteria as a guide in its work.

a) The OECD plans to form several political groups made up of experts on the Soviet side (the Soviet Union and/or the republics) and on the side of the OECD's members, its Secretariat, and other international organizations of this kind. The groups will be expected to use their expertise in planning economic measures and overseeing their completion. Each group will work on a specific topic—such as, for example, income regulation, the labor market, the financial market, taxes, etc. Meetings of the groups will be held in the Soviet Union. The groups will actually perform the functions of oversight committees assisting in the accomplishment of economic reforms and other changes needed within the country and beyond its borders.

b) The basic principle by which the OECD will be guided in its work is the encouragement of as many experts as possible from the OECD countries and other international organizations to cooperate in these projects.

c) The OECD proposes a specific number of seminars on personnel training (on the union and republic levels) in the OECD countries. The seminars can be organized in the near future and during scheduled training periods.

d) To eliminate the possibility of duplicate projects and to secure productive cooperation in specific fields, the OECD must work with other large international organizations willing to offer aid to the Soviet Union and its republics.

## II. Aid Proposals

3. In view of the severity of the economic problems in the USSR, technical assistance cannot be confined to the inclusion of the Soviet Union and its republics in the projects carried out in the interests of OECD countries or the measures planned by the OECD for Central and East European countries. The scheduled symposiums, conferences, and seminars will not be enough. Specific steps must be taken to satisfy the current demands of the Soviet Union and its republics.

4. The main guidelines of the proposed aid for each sphere of activity are presented below.

a) In the agricultural sphere, in addition to the offer of immediate food assistance, it will be necessary to study two major problems in depth—the effects of the new relations between the union and the republics on agricultural and food policy and the use of the experience in agricultural distribution. The latter could serve as the source of several important proposals on the subsector of the dairy industry. Medium-range assistance could be directed into the development of agricultural markets (including the training of the necessary personnel and the promotion of de-monopolization), the support of agricultural trade (by establishing ties with the general trade system), and the establishment of institutions for agricultural credit and financing. Long-range cooperation should be geared to assistance in formulating concepts related to agricultural policy, such as prices and subsidies, as well as other forms of state aid and privatization.

b) In the sphere of power engineering, it will be necessary to assist union and republic agencies in charge of restructuring the power engineering system. This could entail the following measures:

a seminar on the derivation of hydrocarbon from natural resources;

a seminar on the results of the work of a special Soviet power engineering sector (the effectiveness of energy, gas, coal, and electricity);

the review and evaluation of the latest achievements in power engineering;

the analysis of the Soviet waste treatment sector's performance.

In addition to this, the International Energy Agency anticipates participation by the Soviet Union and/or its republics in corresponding seminars for the OECD countries and in IEA commission and committee sessions. In addition, there are plans for participation by the Soviet

Union and/or its republics in the drafting of IEA agreements, with the rights of an association member, in accordance with the plan for research and development projects in power engineering.

c) Measures conducted by the NEA in nuclear power engineering will be intended to solve the Soviet Union's current problems and will be of tremendous interest to it. The Soviet Union and its republics will be invited to participate in the work of 15 conferences planned for the OECD countries in 1991-1993. These conferences will address the topics of nuclear safety (for example, methods of managing major accidents, the interaction of nuclear residue and concrete, the investigation of major accidents, the monitoring of equipment, etc.), radiation protection, and the monitoring of radioactive doses and radioactive waste. Besides this, other topics will also be discussed at the conferences, such as, for example, enterprise management, depreciation schedules, and the cost-effectiveness of electrical power. In addition to participating in these conferences, the Soviet side is expected to participate in joint plans and programs (the PISK program, the Holden Reactor Project, and the joint scientific and technical information exchange program) and cooperate in the drafting of laws on nuclear power engineering and liability coverage for third parties in the case of nuclear hazards.

d) The OECD proposes assistance in the restructuring of industrial enterprises, including consultations and joint project planning to create a legal infrastructure for incorporation and reorganization. Besides this, it proposes the improvement of legislation on physical and intellectual property rights and the development of the proper bookkeeping system.

e) Cooperation in privatization should be aimed at carrying out the new federal decree on privatization; alternative methods of privatization and their economic impact; the organization and performance of privatization institutions and their effective cooperation. Training programs in the OECD countries will be the most important part of this cooperation.

f) Considerable attention must be given to the creation of an effective system of taxation. The OECD has already participated in the technical assistance rendered in this area and now proposes an increase in this assistance. In addition to the work now being performed, the entire mechanism regulating the performance of the independent republic system of taxation will be tested, and measures will be planned for the more effective regulation of taxation, particularly in connection with tax rates, the collection of corporate and personal income tax, and fiscal policy on foreign investments (for example, the training of fiscal personnel to verify the use of foreign investments, assistance in establishing the taxation procedure, and the conclusion of agreements on double taxation).

g) In the sphere of direct foreign investment, the OECD proposes assistance in organizing a seminar within the near future to study legislation on foreign investments, the

taxation of foreign investments, and programs to increase investments. Special efforts should be made to inform the republics of key aspects of investment policy in the OECD countries and assist them in attracting foreign investments. To improve investment policy, the OECD proposes the revision of tax regulations and laws and plans to offer counsel on the best ways of establishing and managing the necessary institutions (for example, an investment development agency). The very offer of this assistance will aid in earning the investor's trust.

h) Assistance in the financial sphere could include the following: the monitoring and management of government debts, the establishment of a state securities exchange, administrative reform, including assistance in drafting laws and statutes, and various training and consultation programs (for example, for bookkeepers). The OECD also proposes the reorganization of the banking system (including consultations on clearing operations and the regulation of payments, the privatization of commercial banks, the financing of small companies, and advice on reducing defaults on bank loans).

i) Mutual assistance in the sphere of consumption and competition has already been developed sufficiently. In the future it could be extended in the form of training programs (for example, the training of trade experts and employees to work in anti-monopoly associations and agencies protecting the interests of consumers). The OECD is willing to assist union and republic anti-monopoly agencies in the implementation of the guiding principles in this sphere.

j) The OECD proposes the organization of consultations and the training of specialists in science, technology, and industrial operations. It is willing to assist in the creation of small and medium-sized enterprises and to assist in the conversion of military technology for civilian use (with the possible involvement of the private sector). Besides this, it is willing to assist in the development of communication and information systems (television broadcasting, technical news equipment, and a highway and transport infrastructure).

k) As far as the development of the labor market is concerned, the OECD proposes the elaboration of the measures needed to solve imminent unemployment problems and promote the mobility of manpower (not only in the geographic sense, but also transfers of skilled manpower within the enterprise). Scientific research conducted by the OECD will be particularly useful in establishing the primary institutions of the labor market, developing the taxation procedure and alternative forms of income regulation, improving the service sphere, planning income protection measures, and reforming the social security system.

l) The OECD proposes the use of its considerable experience in trade and trade restrictions to help union and republic administrative bodies build new trade relations. The main objective will be assistance in integrating their economy into the world economic system. The OECD has offered to help the Soviet Union take stock of its tariffs, test the main tariff and non-tariff barriers in trade relations with the Soviet Union and the republics, and assess the impact of lower barriers on the economy. The

OECD has also offered its assistance to union and republic administrative bodies in establishing viable export credits and systems of insurance for them.

m) In the sphere of the reform of public administration, the OECD believes that detailed proposals can only be adopted after they have been discussed with republic and union leaders. During the transition to the market economy and the institution of a centralized administrative system, the OECD proposes assistance in the structural development of ministries and public organizations, the definition of their functions, the management of the political system, the determination of total expenditures on administration and control (including the analysis of economic performance, material and technical supply costs, the cost of printing money, etc.), changes in personnel policy, the granting of broader powers to non-administrative organizations, such as outside auditing agencies, mediating organizations, and administrative tribunals.

n) The OECD believes the Soviet Union and the republics should participate in the work of the OECD countries in the ecological sphere, particularly in information gathering operations and the investigation of such problems as the use of waste treatment facilities in industrial production, the financing of environmental protection expenditures, and the use of the economic regulating mechanism.

o) In the sphere of statistics, the OECD could increase the amount of assistance it has already rendered in creating the system of national records in accordance with OECD standards and preparing the necessary statistics for the national economy.

#### **Directives for Financial, Tax, and Business Organizations: Possible Republic Operations**

1. In the sphere of taxation, programs could be drawn up for the training of personnel in fiscal institutions, and international fiscal concepts could be formulated (tax agreements and foreign investors). Technical assistance could be rendered in the organization of seminars. Programs should be drawn up with the participation of all republics for the purpose of establishing a mechanism to coordinate the operations of the independent tax system of the republics.

2. Assistance pertaining to direct foreign investment will include the organization of an FDI seminar in the near future. The seminar will address questions connected with legislation, taxation, and plans for cooperation. Individual republics will be offered assistance in drafting FDI bills as well as other laws and statutes aimed at the general and consistent progression toward FDI through the republics.

3. Assistance in the sphere of competition and consumption is already being rendered on the union level and in Russia and could also extend to other republics. It includes technical consultations on the drafting of laws on competition and consumer rights protection and the

preparation of administrative instructions. Training programs for the personnel of anti-monopoly organizations and trade experts could be introduced.

4. The financial sphere includes assistance in the reform of the financial market, the management of government debts, the creation of a state securities exchange, the restructuring of the banking system, the privatization of banks, the funding of small enterprises, and the development of insurance. A training program will be introduced for finance ministry personnel on the management of the financial system.

5. In the sphere of privatization, the proposed cooperation will include the investigation of alternative methods of privatization, with a view to the experience of Eastern Europe and the OECD, and their economic and practical implications. The OECD also proposes the discussion of draft laws on the union and republic levels.

6. Technical assistance may be rendered in the reform of the legal system and in the sphere of business activity. The first reforms should cover the legal infrastructure of corporate organizations and the avoidance of bankruptcy, as well as the protection of industrial and intellectual property rights.

7. Assistance will be rendered in the restructuring of the accounting system, including consultations on the drafting of bills and statutes and the training of professional bookkeepers.

8. The experience of the OECD in eliminating restrictions in invisible current operations and the movement of capital is expected to be used for the development of a common economic market and the achievement of currency convertibility.

9. In the sphere of tourism, assistance will be rendered in the improvement of the infrastructure, the privatization of state enterprises, and the elimination of obstacles to tourism.

#### **Draft Law on Foreign Concessions**

925D0061A Moscow *BIZNES I BANKI in Russian* No 34, 1991 pp 4, 5

[Text under the rubric "Normative Enactments and Documents" of Draft Law of the Union of Soviet Socialist Republics "On Foreign Concessionary Enterprises (Concessions) in the USSR"]

[Text]

#### **Part 1. General Provisions**

##### **Article 1. Foreign Concessionary Enterprises (Concessions)**

A foreign concessionary enterprise (concession) represents an independent economic subject created on the basis of a contract between the state represented by its authorized organs and a foreign legal entity or citizen

(concession holder) for fixed-term paid ownership of land, other natural resources, enterprises (or associations), property complexes, or other state property or separately instituted exclusive legal rights of the USSR or the republic.

**Article 2. Competence of the USSR, the Republics, and the Local Organs of Power in the Area of Regulation of Concessionary Relations**

1. This Law and the legislative enactments of the USSR and the republics and decrees of the USSR Cabinet of Ministers and the governments of the republics as well as those of local organs of power and government published in accordance with it regulate concessionary relations on USSR territory.

Relations regarding the use of state property or rights being transferred to Soviet legal entities or citizens to conduct economic activity as well as those regarding the transfer by them of their own property or rights to foreign legal entities or citizens while conducting joint activity in the form of joint stock companies, economic societies, or associations or for other reasons are regulated by special legislation of the USSR and the republics.

2. The following are subject to the USSR's jurisdiction in the area of regulation of concessionary relations:

a) establishment of the basic provisions for regulation of concessionary relations and development and refinement of the basic principles of legislation on concessions;

b) ratification of the list of objects of all-Union state property and exclusive rights of the USSR proposed to be turned over for operation as concessions; management of all-Union accounting of concessions;

c) resolution of questions on granting objects of all-Union state property or exclusive rights of the USSR for operation as concessions and on concluding concessionary contracts;

d) establishment of procedures for taxation of the concession holder's profits and for exporting capital abroad which are uniform throughout the USSR within the limits of its competence;

e) organization of monitoring of compliance with concessionary contracts.

3. The following are subject to the republics' jurisdiction:

a) development and refinement of republic legislation on concessions, including the question of fixing the limits of the jurisdiction of local organs of power of various levels in the area of regulation of concessionary relations;

b) ratification of the list of objects of republic ownership and exclusive rights of the republic proposed to be turned over for operation as concessions;

c) resolution of questions on granting objects of republic ownership and exclusive rights of the republic for operation as concessions and conclusion of concession contracts;

d) establishment of the procedure for payment for the concession or for deductions from the concession holder's profits, the tax rate on profits, other payments, and various benefits for the concession holder;

e) monitoring of compliance with concession contracts.

4. Local organs of power have the right to grant objects of communal ownership, parcels of land, and certain natural resources for operation as concessions and take and monitor the use of these objects in accordance with the legislation of the USSR and the republic and this Law.

5. The procedure for granting objects which are under joint all-Union and republic or communal ownership for operation as concessions is established by agreement with the representatives of the corresponding owners.

**Article 3. Interrelations of the USSR, the Republics, and the Local Organs of Power in the Sphere of Conducting Concessionary Activity**

1. Interrelations of the USSR, the republics, and the local organs of power in the sphere of conducting concessionary activity are built on the basis of mutual regard for their rights and interests in accordance with this Law and the legislation of the republics.

2. Before being ratified the list of objects of all-Union property proposed to be turned over for operation as concessions is submitted for preliminary approval of the republics on whose territories the particular concessionary activity is to be carried out or whose legal interests the particular concession directly affects for economic, ecological, or other reasons.

When exclusive rights of the USSR are granted to a concession, preliminary notification of the list of these rights is provided to the republics involved.

3. The list of objects of republic ownership and exclusive rights of republics proposed to be turned over for operation as concessions is submitted for preliminary approval by the USSR and other republics if the proposed concessionary activity may directly affect economic or other interests or prevent implementation of their exclusive rights.

4. Interrelations of republics with local organs of power in the sphere of conducting concessionary activity are regulated by republic legislation.

5. Disputes between the USSR and republic and local organs of power on issues of concessionary activity are reviewed on a judicial basis.

**Article 4. Objects of Concession**

1. A concession is allowed in industry, agriculture, transportation and communications, public utilities, the

service sphere, and other sectors of the economy in accordance with special lists ratified by the USSR Cabinet of Ministers and governments of the republics in the manner determined by this Law and the legislation of the USSR and the republics.

2. The following may be turned over for operation as a concession:

- a) land and other natural resources;
- b) enterprises (or associations) and organizations;
- c) individual structural elements, subdivisions, buildings, structures, equipment, or means of transportation belonging to enterprises (or associations) and organizations;
- d) their monopoly rights individually ratified by legislative enactments of the USSR and the republics.

3. Several different types of objects may also be transferred to one concession at the same time for their combined economic use.

#### Article 5. Ownership Under a Concession

1. Transfer of objects to a concession does not involve transfer of the rights of ownership of these objects to the concession holder or conferment on him of the exclusive right to perform certain functions of the state for an indefinite term.

2. Output and income obtained by the concession holder as a result of operating the objects of concession are his property. Material and other assets obtained by him for reasons envisioned by laws or the contract which are not part of the concessionary property may also be the property of the concession holder.

3. Removable, if not otherwise envisioned by the concession contract, as well as fixed improvements done at the concession holder's expense are state property and increase the residual value of the concessionary property. The concession holder has the right to reimbursement of the cost of the improvements made with the consent of the concessionary organ or in the manner established by the contract.

4. Property damage done to one of the parties to the concession contract is compensated by the other party in accordance with current legislation, this Law, or the contract.

#### Article 6. Concessionary Organs

The USSR Cabinet of Ministers and the governments of the republics authorize or specially create organs or organizations which, within the limits of the jurisdiction established for them, become the organs of management of concessionary activity as well as the representative of the owner of the state property and the rights of the state (concessionary organs).

In cases envisioned by this Law, the local organs of power are also concessionary organs and are given the right to grant objects for operation as concessions.

#### Article 7. Concession Holders

Foreign legal entities or citizens who have proven their ability to conduct economic activity effectively on USSR territory and have concluded in accordance with this Law a concession contract can be concession holders.

#### Article 8. The Granting and State Registration of a Concession

1. The concessionary organ of the USSR periodically publishes in the open press a confirmed list of objects proposed to be turned over for operation as concessions and the general conditions for concluding a concession contract. This list must be published at least 3 months before the start of the review of concession proposals as established in the list.

2. The competitors for a concession have the right to become directly familiar with the objects of concessions and the necessary documents and to offer the appropriate proposals within the established time periods.

When there are several competitors, the transfer of objects to a concession is conducted on a competitive basis.

A competitor has the right to request the conclusion of several concession contracts.

A competitor for a concession may appeal to the concessionary organ with a proposal to turn over certain objects to the concession. If the concessionary organ concludes that granting the proposed object to the concession is a good idea, this object is recommended to the USSR Cabinet of Ministers for inclusion in the appropriate list.

When reviewing proposals for the competition, the concessionary organs give priority to the competitor who provides the greatest efficiency in production and other most favorable economic, ecological, and social conditions.

At the suggestion of the concessionary organ, the USSR Cabinet of Ministers may at any time before the concession contract has been concluded withdraw its proposals regarding the objects included in the list because the requests obtained from the competitors are not satisfactory.

The competitors for the concession who have passed the competition conclude the appropriate contracts with the concessionary organs and act as concession holders in the manner and under the conditions envisioned by this Law.

3. The procedure for granting objects of republic or municipal ownership or exclusive rights of the republic to a concession are regulated by the legislation of the republic.

4. State registration of the concession is carried out by the appropriate concessionary organs which concluded the contract. Then the concession acquires the rights of a legal entity.

Within 10 days the state registration data is reported to the USSR Ministry of Finances to be included in the unified state register.

#### Article 9. The Concession Contract

1. The concession contract is the basic document regulating concessionary relations between the concession holder and the state. It is concluded on a voluntary basis.

2. The concession contract envisions the following basic conditions:

the term of operation of the contract; the products list and volume of output produced; the amount of and schedules for imported capital needed to organize the appropriate production in the USSR; the procedures for and amounts of taxation and deductions from profits or fixed charges for the concession and other payments; the procedure for selling the finished output and the state's right to acquire part of it on a priority basis; the concession holder's obligations to comply with legislation and norms regarding production activities and labor relations; obligations to keep production in good working order and technically refine it and after the contract ceases to return the concession object in the condition specified by the contract; the duty of the government or the concessionary organ to present the concession object to the concession holder in a condition which meets the conditions of the contract; the right of the government or concessionary organ to carry out financial and other control over the activities of the concessions; the government's right to terminate the operation of the contract prematurely if the concession holder violates its basic conditions; the procedure for resolving disputes between the state and the concession holder and other conditions stated in this Law; and the responsibility of the parties.

3. Legislation of the republics may establish other conditions of the contract too.

4. The cost of the concession objects is set in the contract in accordance with the legislation of the USSR and the republics depending on what type of state property this object is.

5. With the consent of the concessionary organ, the concession holder has the right to cede these rights given by the concession contract, fully or in any part, to a third foreign legal or physical entity.

6. The parties bear responsibility in the manner established by this Law and the contract for failing to fulfill or improperly fulfilling the obligations under the concession contract.

#### Article 10. Payment for the Concession

Payment for the concession may be set for all objects of the concession combined or for each object individually in physical, monetary, or mixed forms.

The conditions, schedule of payments, and amounts of the payments are set by the contract.

#### Article 11. Buy-Out of Concession Objects

Buy-out of concession objects listed in subpoints b and c of Article 4 of this Law into the ownership of the concession holder is regulated by special legislation of the USSR and the republics.

Land and other natural resources as well as exclusive rights of the USSR or the republics cannot be bought out.

#### Article 12. The Concession Term

1. The term of a concession is determined by the corresponding contract. The concession contract may be short-term—up to 5 years—or long-term—up to 99 years. This law sets other terms for concessions of land or other natural resources.

2. When several different types of objects are granted to a concession at the same time for their combined economic use, the term of operation of the concession is as a rule determined taking into account the nature of the basic production but for no longer than the maximum term set by this Law.

3. When the term of the concession contract runs out, the concession holder who has conscientiously fulfilled the basic conditions of the contract enjoys a priority right to extend it.

#### Article 13. Modification of, Addition to, or Termination of the Concession Contract

1. Modification of or addition to a concession contract is allowed upon the agreement of the parties.

The transfer of certain powers or exclusive rights from the USSR to the republic or from the republic to the USSR is no reason to modify or terminate the contract as a whole.

Reorganization of the concessionary organ does not entail modification of the contract. In light of that, the USSR Cabinet of Ministers and the government of the republic confer responsibility for the concession contract upon themselves or upon another organ of state government.

In case of liquidation or reorganization of the concession-holding organization or death of the concession-holding citizen, the conditions of the contract do not change, while the rights and responsibilities for it pass to the legal successors, which is specified in an addendum to the contract.

The concessionary organ does not have the right to prevent a legal successor from entering into the contract, with the exception of cases specially envisioned by the contract.

2. Termination of the concession contract entails liquidation of the concession.

A concession is liquidated at the decision of the concessionary organ which created it or by the court or arbitration panel in the following cases:

- a) the term of the concession contract runs out;
- b) agreement of the parties to the concession contract;
- c) unilateral refusal by the concession holder to extend the concession contract, including in the case envisioned by Point 4 of Article 24 of this Law;
- d) onset of events or identification of factors envisioned by the concession contract which grant one of the parties the unrestricted right to break the contract;
- e) flagrant violation by the concession holder of the basic conditions of the contract;
- f) liquidation of the organization or death of the citizen who concluded the concession contract if there are no legal successors;
- g) transfer of the concession-holding organization to Soviet jurisdiction or the concession-holding citizen's adoption of Soviet citizenship;
- h) bankruptcy of the concessionary enterprise;
- i) decision of the court declaring the charter documents on creation of the concession invalid.

3. A concession is considered liquidated the moment it is removed from the state registration register.

4. A concession is liquidated by a liquidation commission formed in the manner established in the contract and in case of bankruptcy of the concession enterprise—by the court or the arbitration panel.

When a concession is liquidated, the procedure and schedule for the liquidation are established, as is the period of time in which creditors' claims must be presented, which may not be less than 2 months from the time the liquidation is announced.

5. The process of liquidation of the concession, which includes the appropriate publication, property appraisal, satisfaction of creditors' claims, and capitalization of periodic payments in connection with personal injury or other damage to health or with a citizen's death, is carried out in the manner established by legislation regarding enterprises in the USSR. Additional conditions may be stated in the concession contract.

## Part 2. Management of the Concession

### Article 14. General Principles of the Organization of Management of the Concession

1. The concession holder independently determines the structure of management and establishes the complement of workers as well as implements his rights to manage the concession or delegates these rights to a specially appointed organ which represents the interests of the concession holder.

2. The hiring of a manager of the concession enterprise and his deputies and the managers of the structural subdivisions is the right of the concession holder and is realized by him directly or through a representative, if the concession contract does not envision otherwise.

3. Intervention of the organs of state power and government in the organization of the concession's management is not allowed, with the exception of cases when this activity constitutes a real threat to the lives or health of the population or may entail other serious consequences. In light of that, the concessionary or other organ under whose control the concession holder carries on his production-technological activity has the right to demand, in accordance with its jurisdiction, that the concession take the necessary measures to eliminate the threat.

If the concession holder fails to take the necessary measures, the concessionary organ may temporarily remove the concession holder from managing the concession and assume these functions while the threat is being eliminated.

The concession holder may appeal the actions of the concessionary organ in the manner established by Article 36 of this Law.

4. The effect of legislative and other enactments which regulate the right of labor collectives and trade unions to participate in managing production does not extend to the concession, with the exception of cases envisioned by articles 20 and 21 of this Law.

## Part 3. Management and Economic Activity of the Concession

### Article 15. Determination of the Concession's Direction of Activity

1. The direction of the concession's activity, including production programs, is determined by the concession contract.

2. The concession holder has the right to conclude contracts with other Soviet and foreign legal entities or citizens and is free to choose conditions of economic interrelations which do not contradict existing legislation or the concession contract.

3. With the consent of the concessionary organ or in accordance with the concession contract, the concession

holder may engage in foreign economic or nonconcession activities in accordance with the USSR Law "On Foreign Investments in the USSR" and other legislation of the USSR and the republics.

#### Article 16. Concession Profits

The profits which remain in the concession after taxes, payments for the concession, deductions from profits, and other payments have been made are at the full disposal of the concession holder. The concession holder in accordance with this Law and the contract independently determines the directions of the use of profits, including their transfer abroad.

#### Article 17. Planning of the Concession's Activity

The concession holder independently plans his activity and defines the prospects of development based on the basic conditions of the concession contract.

Measures being planned which may entail ecological, social, demographic, or other consequences which affect the interests of the population are subject to the agreement of the appropriate organs of power.

#### Article 18. Price Setting

The procedure for setting prices for output, work, or services of the concession enterprise is an indelible part of the concession contract and is determined in accordance with current legislation.

Violation of the established price-setting procedure by the concession holder entails confiscation of sums obtained in excess and application of fines determined by legislative enactments of the USSR and the republics.

#### Article 19. Financial and Credit Relations

1. The basic sources for forming the financial resources of the concession are the capital the concession holder imports into the USSR, the profits of the concession enterprise, money from the sale of securities, and other revenue envisioned by the concession contract.

2. The concession holder uses bank loans on a commercial contract basis, carries out all payment transactions, and bears responsibility for complying with credit contracts and payment discipline in the manner established for Soviet enterprises (or associations) and organizations.

#### Part 4. Labor Relations and Social Activities of the Concession

##### Article 20. The Concession Enterprise's Labor Collective

All citizens who participate with their labor in the concession enterprise's activity on the basis of the labor agreement (contract or arrangement) as well as other forms which regulate the worker's labor relations with the concession holder make up the concession enterprise's labor collective.

##### Article 21. The Collective Contract (Agreement)

The collective contract (agreement) is concluded at all types of concession enterprises and must not contradict current legislation of the USSR and the republics.

The collective contract (agreement) regulates production and labor relations at the concession enterprise and questions of industrial hygiene and social development of the collective.

Disputes during conclusion or performance of the collective contract (agreement) are decided in the manner established by legislative enactments of the USSR and the republics.

##### Article 22. Income of the Concession Employee

1. The income of each concession employee is determined by the labor contract (agreement), is not limited in amount, and is regulated by legislation on income tax for USSR citizens, foreign citizens, and persons without citizenship as well as the corresponding international treaties of the USSR.

2. The minimum labor payment for USSR citizens who are employees in concession enterprises cannot be lower than the average level of wages of employees of the corresponding specializations and skills of state enterprises of the similar sector in the given region.

3. The form, system, and amount of wages and other types of income of employees in concession enterprises, including in-kind payments, are established by the concession holder with the agreement of the trade unions and are part of the collective contract (agreement).

##### Article 23. Social Activities of the Concession

The social activities of the concession are carried out on the basis of current legislation of the USSR and the republics and must fully guarantee concession employees exercise of their legal rights and interests.

The rights and interests of concession employees who are USSR citizens and are discharged when the concession enterprises are liquidated are guaranteed in the same manner.

#### Part 5. Concession of Land and Other Natural Resources

##### Article 24. Relations in Connection with Concession of Land and Other Natural Resources

1. Relations which arise in connection with the concession of land or other natural resources are regulated by this Law with consideration of the specific features stated in this particular Part.

2. The list of lands and other natural resources is ratified depending on their targeted and territorial use when the local organs of power on whose territory the concession is to be located give their consent and after the Union

republics and local organs of power involved agree, in accordance with Article 3 of this Law.

3. In all legal relations regarding concessions located on their territory of land and other natural resources, the local organs of power act as concessionary organs on a par with the corresponding organ ratified by the USSR Cabinet of Ministers or the government of the republic, if this Law does not envision otherwise.

4. The confiscation of lands and other natural resources granted to concessions for state and public needs is allowed only in extraordinary cases by decision of the USSR Cabinet of Ministers or the government of the republic and does not necessarily involve cancellation of the concession contract. In this situation the concession holder has the right to demand that a similar concession object be granted and that changes be made in the concession contract or it be canceled on a unilateral basis with payment to him in any case of compensation for expenditures envisioned by legislation and the contract.

5. In his production-technological activities to exploit land or other natural resources, the concession holder is under the control of the land management organ, nature preservation organ, state sanitary supervision organ, organ for supervision and monitoring of the use and protection of the earth's interior and geological study of the interior, organ for regulation of the use and protection of fish, forest products industry organ, forest protection organ, or other organs operating within the framework of special competence, as appropriate.

#### Article 25. Concession of Lands

1. Lands of all categories may be transferred to a concession for the purposes of management of economic and other activity in accordance with land legislation and the contract.

2. Plots of land are transferred to a concession by the joint decision of the appropriate concessionary organ and the local organ of power to which legislation of the USSR and the republics gives the right to grant land for temporary use.

3. Land is granted for a short-term concession for a period of up to 5 years and for a long-term concession—of up to 50 years.

#### Article 26. Concession of the Earth's Interior (Mining Concession)

1. The earth's interior can be transferred to a concession for all types of use and in the manner established by legislation on the earth's interior and the contract.

2. The concession to use the earth's interior for geological study, mining of minerals, construction or operation of underground structures, or for other purposes is granted by the joint decision of the concessionary organ and the state mining supervision organs.

3. A mining concession is granted for a short-term concession for up to 10 years and for a long-term concession—up to 99 years.

#### Article 27. Concession of Bodies of Water (Water Concession)

1. All bodies of water which are part of unified state water resources as well as the waters of the economic zone of the USSR may be transferred to a concession for the purpose of conducting economic or other activity in accordance with water legislation and the contract.

2. A concession for separate use of bodies of water, either fully or in part, is granted by joint decision of the concessionary organ and the appropriate organ of power or a different state organ authorized to do this.

The concession for special water use is granted by the concessionary organ with the agreement of the organs to regulate the use and protection of waters and other interested organs, and in cases envisioned by legislation of the USSR and the republics—with the agreement of the local organs of power.

3. Water concessions are granted for a short-term concession for a period of up to 3 years and for a long-term concession—up to 25 years.

#### Article 28. Concession of Forests (Timber Concession)

1. State forests and kolkhoz forests as well as individual wood and shrub plantings which are not part of state forest resources may be transferred to a concession for the purpose of conducting economic or other activity in accordance with forestry legislation and the contract.

2. A concession to carry on forest uses is granted by concessionary organs with the agreement of enterprises, organizations, and institutions involved in the forest products industry. With regard to kolkhoz forests, the question of granting a concession is decided with the consent of the appropriate kolkhoz.

3. The terms of timber concessions for procuring wood and resin are established by legislation of the USSR, and for carrying out other forest uses—by legislation of the republics.

#### Article 29. Concession of Air Space

1. Air space over USSR territory may be transferred to a concession for the purpose of its economic use.

2. A concession to use air space to organize the work of air transportation, space systems, power engineering systems, or all-Union communications and information systems is granted by the all-Union concessionary organ. In light of that, the rules of Point 2 of Article 24 of this Law regarding these concessions does not apply.

A concession to use air space for other purposes which do not hinder those listed is granted by the republic concessionary organs in the manner established by them.

3. The term of a concession of air space is established by the appropriate concessionary organs.

#### **Article 30. Concessions of Other Natural Resources**

In addition to objects indicated in this part of the Law, other natural resources, including objects of the plant and animal world, may be transferred to a concession for the purposes of their economic use in accordance with special legislation and the contract.

The procedure for granting this concession and its terms and subordination of the concession holder are determined by the legislation of the republics.

#### **Part 6. Concession of Enterprises (or Associations) or Organizations, Their Structural Elements, Production Facilities, or Other Subdivisions**

##### **Article 31. Concession of Enterprises (or Associations) or Organizations**

1. State enterprises (or associations) and organizations (henceforth called enterprises), regardless of the sector or legal forms, may be transferred to a concession in the manner established by this Law.

2. The transfer of enterprises to a concession is carried out by the appropriate concessionary organ depending on the enterprise's subordination and with the agreement of the representative of the owner.

3. A concession enterprise becomes the legal successor to property rights and obligations of the state enterprise taken into the concession, and that includes its right to use land and other natural resources. The concession holder may fully or partially assume paying off the enterprise's loan debt.

The rights and obligations of the state enterprise taken into the concession to participate in the socioeconomic development of the territory on which it is located are as a rule transferred to the concession enterprise.

4. In addition to the conditions stated in Article 9 of this Law, the contract on the concession of the enterprise determines interrelations between the concession holder and the concessionary organ regarding conditions for using fixed and working capital, the departmental housing fund, and the direction of capital obtained to pay off debts.

5. The concession enterprise has the right, with the consent of the concessionary organ, to make changes in the property accepted into the concession and carry out reconstruction, expansion, or technical reequipping which increases its value, if the concession contract does not envision otherwise.

6. Concession holders of planned-loss and low-profit enterprises, as well as those working in unfavorable conditions, are granted benefits.

Legislation of the USSR and the republics may also establish benefits and privileges for concession holders who use special technical refinements in production.

##### **Article 32. Concession of Individual Structural Elements, Subdivisions, Buildings, Structures, Equipment, or Means of Transportation Belonging to Organizations and Enterprises (or Associations)**

Individual structural elements, subdivisions, buildings, structures, equipment, or means of transportation belonging to enterprises (or associations) or organizations are transferred to a concession with the agreement of this enterprise (or association) or organization and in the manner envisioned by this Law and the legislation of the republics.

#### **Part 7. Concession of Exclusive Rights of the USSR and the Republics**

##### **Article 33. Relations in Connection with Concession of Exclusive Rights of the USSR and the Republics**

1. Relations which arise in connection with the granting of certain of their exclusive rights established by legislative enactments of the USSR and the republics to a concession are regulated by this Law with consideration of the specific features stated in this Part.

2. Transportation management systems, communications and information systems, space and power engineering systems, foreign economic, banking, and trade activity, the use of natural resources which are outside USSR territory but belong to it with the right of ownership or are in the economic jurisdiction of the USSR in accordance with international treaties, protection of economic and other interests of the USSR, the republics, and citizens abroad, organization of systems of accounting, patenting, and establishment of standards, nature conservation measures, and other activities in accordance with the lists of concessions ratified may be objects of the rights of the state transferred to a concession.

3. Monitoring of the activity of the concession holder indicated in Point 2 of this Article of the Law is carried out by the organ under whose jurisdiction this activity falls. The competence and functions of the state organ regarding the concession holder are determined by the concessionary contract.

##### **Article 34. Delimitation of the Competence of the USSR and the Republics in Connection with Concession of Their Exclusive Rights**

Delimitation of the competence of the USSR and the republics in connection with the granting of certain of their rights established by the appropriate legislative enactments is carried out on the basis of the Union Treaty, legislation on economic relations or on delimitation of powers between the USSR and the subjects of the federation, or on the basis of certain agreements between the USSR and the republics.

**Part 8. Guarantees and Protection of the Rights of the Concession Holder**

**Article 35. Guarantees of the Rights of the Concession Holder**

The state guarantees the concession holder the stability of concessionary relations established by this Law and provides protection of the concession holder's right of ownership and unencumbered export of capital and part of the output produced, as well as the inadmissibility of unilateral renunciation of obligations assumed under the contract.

**Article 36. Invalidity of Acts Which Violate the Rights of the Concession Holder**

If an act of a concessionary organ or other organ of state government or local organ of power which contradicts this Law is published or if as a result of actions they perform (or fail to perform) the rights of the concession holder are violated, this act is considered invalid and the actions are considered illegal following suit or complaint by the concession holder. In this case, losses incurred by the concession holder as a result of these acts being published or actions being performed are subject to complete compensation using capital at the disposal of the corresponding organ of power and government and in a form acceptable to the concession holder.

If this organ of power and government does not have the necessary capital, the losses are compensated using the capital of the higher-ranking organ of power and government, subject to repayment.

**Article 37. Protection of the Rights of the Concession Holder**

Protection of the rights of the concession holder is carried out by the court, an arbitration panel, or court of arbitration.

A person has the rights envisioned by this Article even though he is not a concession holder but owns concessionary property on grounds envisioned by a contract with the concession holder.

**Foreign Economic Problems Elaborated**

92UF0383A Moscow NEZAVISIMAYA GAZETA in Russian 11 Dec 91 p 2

[Interview with Aleksandr Vladislavlev, USSR first deputy minister of foreign economic relations, by Aleksandr Bangerskiy, place and date not given: "Aleksandr Vladislavlev: 'I Work For Tomorrow': USSR First Deputy Minister of Foreign Economic Relations on the Country's Foreign Economic Problems"]

[Text] Union?

[Bangerskiy] Your first day in your new office; your first interview in your new capacity. What is on your mind as you start this job?

[Vladislavlev] First and foremost: Today any activity is useful only if it is based on acknowledging the true sovereignty of independent states. If anyone attempts to ignore this sovereignty; if anyone attempts, as in the past, to manage and administer this process, he would do great damage to our common cause. Today we are paying the price for horrible crimes and no less horrible mistakes committed during the long 70 years. So it is completely understandable that everyone wants to run away from this plague.

Nevertheless, I am an experienced enough man; I know the West, I know the European Community enough to understand that tomorrow, when each leader of a sovereign state recognizes his responsibility for everything that is taking place right now, he will unquestionably begin to understand that a great number of problems need to be solved by common efforts. This will happen for a number of reasons. First, the entire infrastructure of our economy was developed with one gigantic state in mind. There is one more, very powerful factor that few people think about—our century-old technological backwardness. Think about it: today enterprise directors, economists, businessmen from the former socialist countries come here with much greater interest than they did in the past, during the time of CEMA. This is understandable: Where would they go with their goods, with their technologies?

All of this will necessarily lead to a need to organize a new economic community. But not the way it is being done today, when the republics, demanding independence, are on the offensive, while the center is in retreat. This is a very poor organization of joint work. What is needed is for the republics to create their own center—the kind they want.

Today the republics are overflowing with joy that they have an opportunity to decide everything on their own: They have their own trade, their own exports, their own imports, and their own investment programs. But who will attend to what was done in the past? We have 30 billion hard currency rubles worth of investment programs abroad. We cannot just forget about them—in the current conditions we simply cannot afford such losses.

This is where I see my first task right now: to sort out what is being virtually destroyed today but should not be because it is too expensive. All republics are losers in this—of some part or other of these 30 billion.

Second: We need to start developing a system that would prepare ground for the time when the process of disintegration will give way to the process of integration.

I consider the creation of such conditions in the foreign economic sphere my main task.

It is absolutely necessary to start working on it now, so that when the inevitable process of consolidation, the inevitable process of creating a new center starts, this time we will not lag behind. That we will not have to jump on the footboard of the last car of the departing

train, as we usually do. Let us look a little bit ahead. Perhaps, this process of consolidation will not start among all the republics, but only among five of them—fine, we will work for these five. The more successfully we work for the five, the sooner the sixth, and then the seventh, will join... I, for one, am certain, absolutely certain, that in place of a former great power founded on lies and force, a new, flourishing, and no less great international community will quickly emerge. So let us work for it!

[Bangerskiy] How?

[Vladislavlev] For this, we have to completely change the style, forms, and methods of our work.

[Bangerskiy] So there will not be an old Ministry of Foreign Economic Relations?

[Vladislavlev] It already does not exist. It was simply liquidated. Moreover, if it did still exist, I myself would have proposed its liquidation. Because in the current conditions everything that is built on the principles of centralized administration, planning, and economic management is harmful for the historic process that is taking place in the country. All of this needs to be removed.

We have to create a completely new system of human links, human interrelations, built on a compromise and coordination of interests rather than subordination. This is the kind of a team I am now trying to put together. A team that would be ready to work in completely new conditions.

[Bangerskiy] Numerically, how will this team measure against the old Ministry of Foreign Economic Relations?

[Vladislavlev] I think it will be ten times smaller—at the minimum.

[Bangerskiy] And what tasks do you intend to tackle with your team?

[Vladislavlev] Let us take, for instance, export policy. This is the most important source of capital for the structural transformations of our economy. In the environment of our crazy monopolization, the overwhelming majority of export goods will be made in the multitude of factories of many sovereign states. Will these republics not want to have something that will unite them, in addition to direct bilateral contacts: you give me a machine bench, and I give you a boat. A mechanism is needed that will formulate a common export policy. This problem will arise by itself. When it does, everything should be ready: both the people, and the mechanism for implementation.

Let us take another problem—foreign investments. In both directions. When Russia, for instance, starts putting together large investment programs, it will necessarily face the need to have some sort of central organization that will coordinate and tie together the interests of other sovereign states.

The third problem—imports. Of course, each will buy on its own what it needs. But even a child knows that when you buy a ton you pay 10 rubles ((R)), but when you buy 100 tons, you pay only R8 a ton. I am not talking about some complex trade items—what about bread? Or medicines?

And what about problems related to hard currency financial activities? Fifteen currencies, each with an unstable exchange rate, and the rate of each will plunge as the ruble does now? Put yourself in a place of a businessman who has a large investment program in which several republics participate. How will he operate in an environment without any convertible currency? From my point of view, the creation of local currencies is a gigantic mistake, a great miscalculation. They may appear on the crest of emotions and national elation; but even when they do appear, with them will come a need to coordinate hard currency financial activities in order to resolve investment problems and export policy.

There is a sphere of clearing trade—unfortunately, forgotten now—that today may be exactly the tool to become an immense source of goods: India, China, the former socialist countries, and a multitude of other countries with unstable currencies. But how does one establish a clearing house for 15 different currencies?

I do not even want to utter the word “coordination”—it is too rigid. A reconciliation of interests!

I understand that it does not make sense to push all of this today. But tomorrow the republics will come to this on their own.

[Bangerskiy] I understand the strategy. But what do we do with today's problems? The number one problem: enormous foreign debt.

[Vladislavlev] This is a strictly political problem. Russia declares today that it is ready to assume the entire foreign debt; I think it is a mistake. This should not be done. All subjects of the economic community should be brought into the resolution of this problem. But there is also another problem—the debt owed to us. This is also a gigantic amount. I, for one, believe that it would be another mistake to start dividing what is owed to us. Collecting debts is a very delicate, very touchy business that requires highly professional skills. If we now simply take the debts owed and divide them between the republics, we will get only grief instead of money. Therefore, my opinion is: The center should collect the debt and then divide it by consensus.

[Bangerskiy] Do you intend to compete with commercial structures, to substitute for them?

[Vladislavlev] Under no circumstances. On each sector of activities, on each problem I enumerated, a board of directors will be created; it will consist of the heads of

major enterprises, commercial organizations, joint ventures, holding companies representing investment programs, and so on. So that the decisions will be made by people who have a stake in succeeding rather than by government bureaucrats.

If today Russia or some other state, or group of states, starts conducting foreign economic activities through ministries, departments, and similar bureaucratic structures, it will for all practical purpose give up the democratic gains it has achieved during these difficult six years. The point is not to replace one bureaucrat with another, but to realize the principle of true democracy both in politics and economics.

Therefore, we want to involve associations of exporters, importers, and investors that are now being created into defining the foreign economic policy. They should become what guilds were in times gone by, joining forces for common activities and protecting these activities from incompetency and dirty dealings. These associations—non-governmental, commercial structures—will formulate the foreign economic policy. While the apparatus, this small apparatus I will create, will serve them.

Our task is to destroy the bureaucratic monopoly, to turn the apparatus from a master into a servant, assistant, consultant for businessmen. We need to convert interests of businessmen into legislative and normative acts.

I want to propose to the USSR Supreme Soviet—while it still exists—to immediately adopt a number of new legislative acts that would remove all obstacles from the road of business development, including that in the sphere of foreign relations.

[Bangerskiy] What do you think about Russia's economic policy?

[Vladislavlev] I cannot evaluate their program, their concept, because it has not been published yet, but it is clear to me that they are going in the right direction. The only thing I am afraid of—and this is probably where the greatest danger is—is that the economic situation in the country right now may bring together not only the lumpen-proletariat and the conservatives, who will grab any straws that will let them turn things back to the old ways, but it may also consolidate enormous masses of people who are indignant over the current state of affairs. Reforms are needed, but hunger is no joke. I am concerned that the price liberalization, absolutely necessary for the economy, may get implemented without the widest possible privatization, without creating new, practically unlimited conditions for business development. Liberalization of prices should be a second step. To act in reverse order is to make a mistake that has already been made once by Ryzhkov's "perestroyka" government. Otherwise, everything is correct, and I sincerely wish this team success.

[Bangerskiy] How do you intend to divide your sphere of responsibility with that of your colleagues from the

Russian Government? Who will be in charge of quotas, licenses, and so on—in short, are we not facing a new "war of laws"?

[Vladislavlev] Not at all. All of this should be the prerogative of the republics.

[Bangerskiy] And you are not concerned that Russia, for instance, will decide anew to whom it will grant a license for foreign economic activities, and whom it will refuse, although the latter may already have a license from the Ministry of Foreign Economic Affairs?

[Vladislavlev] This is its sacred right. Otherwise the declaration of sovereignty becomes an empty sound. Quotas, licenses, and everything else are the prerogative of the republics.

### Customs Aide on 'Massive' Ruble Banknote Export

92UF0358A Moscow IZVESTIYA in Russian, Union Edition 13 Dec 91 p 3

[Interview with Yu. Fedoskin, chief of the Administration for the Struggle Against Smuggling and Violations of Customs Regulations of the Soviet Customs Service: "Abroad to Purchase...Rubles"]

[Text] This is paradoxical, but a fact: the cheaper the ruble gets, the larger the amounts of our national currency banknotes that are illegally exported out of the country. In 11 months of this year the amount of this kind of contraband revealed by Soviet customs service reached a record level—35 million. And this in view of the fact that it is possible to seize only three to five percent of the rubles being exported!

The dynamics of this type of contraband, commented Yuriy Fedoskin, chief of the Administration for the Struggle Against Smuggling and Violations of Customs Regulations of the Soviet Customs Service, is as follows: in 1986 two million rubles were seized, in 1987—2.6 million, in 1988—4.6 million, in 1989—13.3 million, and in 1990—25.7 million. Sixty-one percent of the money being exported is by Soviet citizens and 33 percent by citizens of Poland, where the Soviet currency is mainly exported and from where it reaches West Europe.

[Andreyev] But who needs it there, our "wooden" ruble?

[Fedoskin] Say what you will but it is a currency that means something. Many serious economists believe that our principally raw material exports are still sufficiently large and could serve as a basis for ruble convertibility. In their view the current monstrously low, predatory exchange rate of our currency was created artificially.

In one way or another, reaching Poland, the ruble becomes even cheaper. According to the latest data, from 160 to 200 zlotych are paid for it in the large network of currency exchange offices there. By way of comparison: a

ride on city transport costs 1,500 zlotych. Therefore it works out that even for our small "businessmen," who bring vodka and caviar to Warsaw and Cracow flea markets it is advantageous in the expansion of their business to purchase very cheap rubles for the money they get from sales. Commodities that are in short supply are purchased again with them, if it is possible to bring them back to the Homeland. American cigarettes, for instance, or French cognac. No matter how high their ruble price for the average person—to the resourceful citizens who travel abroad frequently it is not prohibitive at all. A decent "markup" is guaranteed, after all a pack of "Marlboro" bought in our country for rubles, sells, let us say in Finland, for about two dollars.

[Andreyev] What is the scale of ruble banknote imports?

[Fedoskin] In 1986 the customs service seized 68.3 million rubles being exported, whereas in attempted imports some 14.9 million rubles were confiscated. As we see the greater part of our money settles abroad. In our opinion, temporarily. Sooner or later, depending on the progress of privatization in our country, considerable amounts, with the exception, of course, of those nominal values that were "liquidated" by the Pavlov reform, will return. One may assume that they will be spent to purchase real property, plots of land.

[Andreyev] By whom, our entrepreneurs, foreign nationals?

[Fedoskin] This is difficult to answer. But if we speak on a highly assumptive level, then—by both. Foreigners will probably attempt to accomplish this through men of straw, your and my fellow citizens.

[Andreyev] For our businessmen, what benefit is there in hoarding millions of rubles abroad and taking risks bringing them over the border?

[Fedoskin] I believe that one of the reasons is racketeering, the practically total defenselessness of Soviet entrepreneurs against the extortionists. It is apparent that law enforcement institutions are undergoing the same crisis as the entire society.

[Andreyev] How does this general crisis appear on the border at the customs houses?

[Fedoskin] It is very graphically reflected both in the scales of smuggling activity and its nature. For example, the relationship is clear between the mass scale exportation of consumer goods that are in very short supply, currency, and cultural valuables out of the country and the subsequent import of computer technology, consumer electronic equipment, and automobiles. These expensive goods sell for fantastic prices, and the funds that are thus obtained are used to purchase and export even larger lots of such commodities that are in very short supply. By the way, not only of electric irons or television sets but also, for example, of considerable volumes of vehicle fuel listed in documents as petroleum by-products. In the first six months of the current year,

for example, attempts to export 20,000 tons of "camouflaged gasoline" were interdicted!

I will also note that dollars are earned on quality electric irons and television sets or gasoline, whereas very inferior grade goods are often purchased abroad with them and imported into our country. Do you recall the 1989 computer boom? The computers, for the most part, came from Poland. They arrived there from Southeast Asia in disassembled form. The computers were assembled and reshipped to the USSR by small enterprises. As a rule, under the guise of foreign trade cargo addressed to joint ventures. These Polish shippers organized the direct delivery of computers from Singapore. They were carried by air passengers, including Soviet citizens. The quality of the equipment is evidenced by the following fact that is graphically apparent to us: the import of spare parts for the computers into the country is now growing.

[Andreyev] What kind of contraband disturbs you the most?

[Fedoskin] Economic contraband, when raw and other materials subject to licensing are exported as unlicensed commodities. By the way, there are quite a few other methods of illegal "exports" and "imports" under different covers. This is a special topic which cannot be covered in brief here...

The massive export of cultural valuables is disturbing. Three million rubles worth of such items were seized in 1990 alone. By way of comparison: 1986—111,000 rubles.

Activation of the narcotic sphere of smuggling is alarming. This year 60 attempts to transport over 100 kilograms of hashish, marijuana, opium, heroin, and cocaine were interdicted. At the same time, narcotics produced in our country are appearing with growing frequency.

Here is another conclusion pertaining to all types of mass-scale smuggling. More than likely the customs service is dealing with structures operating within the framework of organized crime syndicates. Members of such groups make a thorough study of the situation at points of entry and seek out partners from among customs workers in order to organize "windows" on the border. Sometimes they organize disorders at control and check points and involve persons with customs privileges as well as transportation workers in their activity, employ false documents, and, finally, act in close contact with foreign criminal enterprises. Thus, according to reports of the American customs service, attempts to "launder" narcodollars on the territory of our country by investing them in forms of foreign economic activities that are new to us are not precluded. As they say: new times—new customs...

### **Ukrainian Economist on Problems of Joint Ventures**

92UF0345A Kiev *EKONOMIKA SOVETSKOY UKRAINY* in Russian No 10, Oct 91 pp 43-52

[Article by O. Belorus, corresponding member of the Ukrainian Academy of Sciences, and Ye. Klimenko under the rubric "World Economic Ties: Development Trends": "Problems of International Joint Ventures"]

[Text] The deepening of the international division of labor and the internationalization of production have brought about the powerful development of integration processes leading to the destruction of national isolation and increased international production interaction. The active movement of capital beyond national borders has become one of the manifestations of these processes.

Foreign capital investments are today a most important element of international economic relations and their rate of growth has surpassed the growth in international trade. Thus, in 1960-1985 the overall direct foreign investments of developed capitalist countries increased almost 10-fold, while their average annual growth rate exceeded both the growth in gross national product of these countries and the increase in commodity exports. Today they account for about three-fourths of all the exports of capital of the leading capitalist countries.

Over the decades the Soviet economy has remained on the sidelines of this process. The main form of interaction of the Soviet and the world economies was foreign trade, and the largest part of the Soviet Union's exports were raw materials and fuel, while the main imports were machine tools, equipment, foodstuffs, and consumer goods. And it was only in the framework of the Council on Mutual Economic Aid that the practice of joint capital investments with Soviet participation, in most cases realized on USSR territory, was fairly broadly developed.

The conception of the new economic thinking and perestroika of foreign economic activities activated the process of integration of the Soviet economy into the world economy. The creation on USSR territory of joint ventures with the participation of foreign capital became one of the most promising forms of international economic interaction. When they were being created, the practices of the developed capitalist countries and the countries of East Europe were studied and used, and when the documents regulating their activities were prepared the legislative enactments of 23 countries were analyzed.

We should mention that this type of cooperation has been used successfully by industrial companies of developed countries for many decades. The creation of joint

ventures makes it possible to perform a large number of economic tasks in conjunction. The following can be singled out among them: the possibility of exchanging technologies, accelerated creation and production of new types of output, specialization of production, savings in capital investments, penetration of certain countries into domestic markets, use of preferential financial and tax systems, and so on. When setting up a joint venture, the partner firms preserve their legal independence but are bound together by common property (joint ownership, use, management, and day-to-day financing of the joint venture). This method of cooperation guarantees stronger long-term ties as compared with other forms of international industrial cooperation. In a number of cases the transfer of advanced technology (for producing some particular latest type of output) by one of the parties is a decisive condition when setting up a joint venture. Thus, for example, the Japanese concern Hitachi and the American General Electric created a joint firm in the United States to produce pumps and hydraulic turbines with the equal participation of the capital of the partners. By agreement the American side carries out production and sale, while the Japanese firm offered the technology. For the "know-how" the Japanese side received 15 percent of the sum of each contract concluded by the joint venture.<sup>1</sup>

The creation of a joint venture often is the only means to penetrate a foreign market when strict customs or legal barriers exist to foreign capital. It is precisely through setting up joint ventures that the U.S. automobile companies managed to penetrate Japan's market, which used to be closed to them. The first agreement was reached between the American Ford Motor Company and the Japanese firms Nissan and Toyo Kogei on creating a common enterprise to produce automatic transmissions, with the condition that the technology was offered to Ford free of charge.

Thousands of joint ventures in which the capital of various countries participates have been created in the capitalist world now. As practice shows, cooperation based on the common property of the partners and joint management of part of their enterprise capital is more lasting and stable than other forms of international industrial cooperation, and that creates a number of advantages for the participating parties.

Joint ventures are not a new phenomenon in the countries of East Europe. Beginning in the late 1960s, legislative enactments allowing the creation of joint ventures with the participation of capitalist firms began to be adopted in almost all these countries, but this process began to be developed actively only in the 1980s. During this time the number of joint ventures increased by a factor of more than 20 (see table).

**Table 1. Number of Joint Ventures with Participation of Partners from Capitalist and Developing Countries\***

| Countries       | Before 1980 | 1984 | 1987 | 1990  |
|-----------------|-------------|------|------|-------|
| Bulgaria        | —           | 8    | 15   | 70    |
| Hungary         | 4           | 32   | 111  | 2,300 |
| Romania         | 9           | 7    | 5    | —     |
| Czecho-Slovakia | —           | —    | 3    | 500   |
| USSR            | —           | —    | 19   | 2,051 |
| Overall         | 43          | 680  | 910  | 6,876 |

\*Calculated from: "East-West Joint Ventures: Economic, Business, Financial, and Legal Aspects," UN New York, 1988, pp 74, 92; East-West Joint Ventures. UNECE No 6, p 8.

As you can see from the data cited, this form of cooperation was most developed in Hungary, where in late 1990 2,300 joint ventures were registered, and that substantially exceeds their number in other countries. In addition we should mention that Hungary is for the time being the only one of the countries listed which has introduced an explicitly normative principle instead of the authorization principle and abolished almost all special legal norms relative to joint ventures. Now their activity, like that of other economic organizations, is regulated by the Law on Economic Societies of 6 October 1988.

As is believed in the West, "Hungary continues to be the country with the most favorable climate for joint ventures with the participation of Western firms. Economic reforms are fairly developed there so these ventures can operate more independently than in other countries of East Europe."<sup>2</sup>

Foreign capital is present in almost all sectors of the economies of the East European countries, while accounting for the largest number of joint ventures are the processing industry (for example, in the USSR—63 percent, in Bulgaria—60 percent, in Poland—69 percent, and in Romania—80 percent), trade, and services. The proportion of joint ventures with participation of large transnational corporations is fairly large. Thus, in the USSR it makes up 54 percent of all agreements concluded on setting up joint ventures, in Hungary—50 percent, in Bulgaria—67 percent, and in Romania—100 percent.<sup>3</sup>

This form of cooperation has been broadly developed in China. In early 1989 the creation of 16,000 objects with the participation of foreign capital worth more than 32 billion dollars had been sanctioned, and of that 14 billion had already been actually invested in the economy. Special economic zones play an important role in attracting foreign capital to China.

From 1960 through 1985 the total number of East-West joint ventures rose from 50 to 550, that is, more than 10-fold. Joint venture agreements in 1987 made up 19.3 percent of the total number of agreements on industrial

cooperation of the countries of East Europe with the West. In 1987 joint ventures were second among the six basic forms of East-West industrial cooperation<sup>4</sup> analyzed by the UN European Economic Commission, while a decade before they had been closer to the end of this list.

At the initiative of the countries of East Europe, the Secretariat of the European Economic Commission did a study on issues of the economic, commercial, and financial aspects of the activities of joint ventures. This study analyzed the cases of unsuccessful activity of East-West ventures. The proportion of dissolved ventures was about 5 percent. Among the main reasons were the loss of sales markets for the jointly produced goods and delays in construction schedules. At the same time, however, Western experts asserted that the joint ventures which had been most successful had been initiated by foreign investors who considered local production facilities sources for supplies of spare parts and materials for their own production-sale lines in the West.

It would be no exaggeration to say that the Soviet Union's economy has up to now been isolated in character and functions separately from the world market. This situation took shape because at one time the conception of the breakdown of the unified world market, the growing separation of socialist and capitalist economic complexes, and the weakening of their interrelations were made the basis of ideas of the USSR position in the world economic system. Life has shown that this idea did not take into account the powerful effect on contemporary production of the scientific-technical revolution, its more complicated structure, and the rapid growth in the material, intellectual, and cultural needs of the contemporary world. It has become obvious that economic isolation means the preservation of economic and technical backwardness and puts the national economy in worse conditions as compared with the active participants in international division of labor.

The prospects for an effective solution to many problems of the Soviet economy are organically tied to the processes occurring in the world-wide economy. It is precisely for this reason that persistent attempts are now being made to create a new model of interaction along East-West lines, one of the most important elements of which is joint ventures.

In our country this form of cooperation with a foreign partner where a common production base is created and a product is produced which is the common property of the partners is called a joint venture. A joint venture having joint property substantially distinguishes them from other forms of international economic cooperation (international associations and organizations, cooperation and compensation agreements, trade cartels, and others), while the participation of a foreign partner distinguishes them from strictly domestic joint ventures being created with the participation of exclusively Soviet enterprises and organizations.

A study conducted by the UN European Economic Commission in the USSR and the countries of East Europe cites the reasons which induce partners to set up a joint venture. Among them are the following:

- reduction in the volume of capital expenditures (and risk) with the concurrent creation of new capacities;

- acquisition of management experience relative to operations on the local market;

- ability to enter a new sphere of activity;

- vertical integration of existing output;

- acquisition of a production base or sources of raw materials;

- expansion of existing production lines;

- study of the needs of new markets;

- acquisition of trade channels;

- higher level of current marketing;

- possibility of avoiding cyclical and production instability;

- utilization of advantages involving lower cost of production factors.<sup>5</sup>

The basic documents which made up the basis of the present USSR legislation on joint ventures were the USSR Supreme Soviet Presidium Ukase "On Issues Involving the Creation on USSR Territory and Activities of Joint Ventures and International Associations and Organizations with the Participation of Soviet and Foreign Establishments, Firms, and Management Organs" and the USSR Council of Ministers decree "On the Procedure for the Creation on USSR Territory and the Activities of Joint Ventures with the Participation of Soviet Organizations and Firms of Capitalist and Developing Countries," both adopted on 13 January 1987. The USSR Council of Ministers decree "On Additional Measures To Refine Foreign Economic Activity Under the New Conditions of Management," focused on simplifying the procedure for setting up a joint venture and expanding the group of concessions granted to them, was adopted in 1987. The further development of legislation on joint ventures involved the CPSU Central Committee and USSR Council of Ministers decree "On Further Development of Foreign Economic Activity of State, Cooperative, and Other Public Enterprises, Associations, and Organizations" (1988), which envisioned eliminating many restrictions which were initially contained in the decrees named; among other things, the restriction on Western participation in joint venture capital (49 percent) was removed and foreign citizens can occupy the posts of general director and chairman of the governing board.<sup>6</sup>

In addition a number of instructions and statutes ratified by a number of ministries and departments on particular issues of the creation and activity of joint ventures in the

area of taxation, material-technical supply, insurance, and other things were published.

The decree "On the Procedure for the Creation on USSR Territory and Activities of Joint Ventures with the Participation of Soviet Organizations and Firms of Capitalist and Developing Countries" defines the relationship between international legal enactments and national ones, making international law primary over domestic law. Moreover, Soviet legislation does not set any restrictions affecting the sphere of activity of joint ventures. They may be set up not only in the production sphere but also in the fields of science, technology, trade, finances, tourism, advertising, and so on. We must also mention that the creation of a joint venture does not constitute a fundamentally new legal form. On the whole they are included in the traditional legal model, for the most part the joint stock company and the limited liability company. Joint ventures in the USSR are closer to limited liability companies: the group of participants is limited, capital is not divided into shares of stock, profits are distributed according to the partners' contributions, and additional capital can be introduced.

We should mention that the changes which were made on issues of management of joint ventures by the latter decrees are a step forward in settling these questions and a base for developing new legislation which meets the demands of the perestroika of the economy.

In accordance with the USSR Council of Ministers decree of 13 January 1987, the creation of a joint venture with foreign participation on USSR territory has several interrelated purposes:

- greater satisfaction of the country's needs for certain types of industrial output, raw material commodities, and foodstuffs;

- enlistment in the country's economy of the leading foreign equipment and technology and administrative experience and the creation of a skilled work force;

- enlistment in the economy of additional material and financial resources;

- development of the country's export base and reduction of irrational imports, opening of new markets, and expansion of domestic sales potential.

Soviet legislation offers Western investors a number of guarantees and concessions. Among them are a reduction in or even a complete exemption from taxes, a guarantee of the transfer of profits abroad, a priority procedure for planning and capital construction, and

exemption from paying customs duties on property imported as an investment or intended for the enterprise's development.

In the Far East region joint ventures are exempt from taxes on profits for 3 years from the time the profits declared are obtained, while the tax itself is only 10 percent. Moreover, the USSR Ministry of Finances may choose not to tax the foreign partner's profits exported abroad for a particular period of time.

The present legislation creates guarantees for protecting Soviet interests and principles through an authorization procedure for creating the joint venture, the setting of priorities when encouraging these ventures, unanimous resolution of important questions by the members of the governing board, resolution of a number of social issues relative to Soviet personnel on the basis of USSR legislation, conclusion of a collective contract between the joint venture and the trade union, and the possibility of closing the venture if its activities do not meet the goals stated in its charter documents.

We should mention the particular features of legal regulation of the activities of joint ventures. In capitalist countries this is done on the basis of general norms of domestic civil and trade law, as well as through laws on foreign investments and competition. But in our country the necessary legitimization of the market-driven management of enterprises is missing in domestic legislation. "Contract law" is poorly developed and many of its forms (civil associations, for example) are allowed but not used. Moreover, for joint ventures a gap exists between internal administrative law and legislation.

Management of joint ventures is an important issue. There are two sides to it—the macro- and the micro-economic sides. Once founded, joint ventures are not included in the system of departmental subordination to which some of the partners may belong. Contacts with state organs are realized either directly or through the Soviet partner. Relations with economic organizations are constructed on a contract basis. Among the management problems which arise on the level of the joint venture itself, division of the functions of management among the partners should be named first of all. The difficulty is organizing the management process given very contradictory approaches to it by both parties. As a rule, Western partners demand substantial independence in managing investments. But the Soviet side frequently tries to keep the command posts in management for itself, leaving primarily the technical and foreign trade functions for the partner.

Problems also arise because of the different management methods which the partners are accustomed to as well as because of the psychological barriers which arise in the process of the joint venture's work.

The fact that the reforms focused on overcoming the difficulties the country is experiencing are themselves often the source of problems for the joint venture's

activities also has a destructive effect on the development of joint entrepreneurship. In this regard the newspaper PRAVDA wrote: "Like a drop of water the problems of the development and organization of the work of joint entrepreneurship reflect the difficulties involving the scrapping of the administrative-command system of management and the transition to new forms and methods of development of socialist production."<sup>7</sup>

Decentralization of the power to make management decisions is creating difficulties. Foreign partners often do not have confidence in the legal powers of the organs of political and economic power. Moreover, joint ventures have encountered the price problem. As state prices for materials and services in the USSR have risen, the cost of invested capital has changed sharply. Along with this, the problem of the devaluation of the Soviet ruble remains unresolved.

In the opinion of Western entrepreneurs, the risk of investing capital in the Soviet economy should be compensated by establishing higher-than-average profit norms, and that is not always taken into account by the Soviet side.

When a joint venture is being set up, the Soviet and Western parties pursue different goals which by no means coincide in all ways. For our country this is above all a channel for obtaining advanced Western technology, assimilation of contemporary methods of management, saturation of the domestic market with goods, replacement of imports, expansion of the export base, greater competitiveness of the Soviet economy, and other things.

For Western partners production of goods in the USSR is preferable to direct exports. For in this way rapid growth in the firm's market share can be achieved, given the stabilization of the Soviet economy in the future. Moreover, the wealth of natural resources, the cheap land, and the advantageous geographic position between the East and the West (the East European and Asian regions) attract them. Later on this may ensure a high rate of return [okupayemost] on investments in the infrastructure (hotels, transportation, communications, tourism, and the recreation sphere).

One of the contradictory aspects is that foreign firms do not want to create competition for their direct export deliveries to the USSR and to the world market, while the Soviet side, in contrast, tries to create high-quality output which is competitive on the world market.

A restraining factor in the development of the process of creation of joint ventures is the lack of legal information, duplicate decision-making by different levels of management, and the existence of closed legal norms intended for domestic and official use, which differs from the principle of presumption of knowledge of the law accepted throughout the world.

As for the financial aspect of joint venture activity, the basic tax rate on profits has been set at 30 percent (other

than for joint ventures set up in the Far East Economic Region, where it is 10 percent). The tax on the transfer abroad of an allotted part of the foreign participant's profits is 15 percent, and before 1 January 1991—20 percent. Totalling both taxes, the Western specialists drew the conclusion that for foreign capital the tax in the maximum version may reach 44 percent, which is much higher than international standards. Although the tax rates on company profits in the countries of the West are sometimes 45-50 percent, because of a progressive system of taxation and a broad system of exemptions which the Western companies enjoy, the real payments average 10-15 percent of overall profits.<sup>8</sup>

Other than the taxes listed, a turnover tax has been applied to joint ventures since 1990. The fact that joint ventures are not allowed to set depreciation norms which differ from those accepted centrally also does not suit Western businessmen.

The fundamental differences in bookkeeping occupy quite an important place in some of the problems which joint ventures encounter. The Soviet accounting system can be described as cumbersome and lacking information on the enterprise's market position. It is based on the cash principle rather than on economic meaning. At the same time, however, the decree of 13 January 1987 mandates that books be kept according to the rules envisioned for Soviet enterprises, which is creating many difficulties for joint ventures. For example, such items as expenditures for advertising, losses from loans which are not subject to recovery, precontract expenditures, and the like are not included in the balance of Soviet enterprises. Moreover, the balance profits figured according to Soviet bookkeeping instructions differ substantially from those calculated according to the Western methodology.

It is difficult for a foreign firm to use Soviet reports to ascertain the financial condition of the proposed partner and the directions of possible long-term commercial investments. Among other things, British experts have established that the differences in the Soviet methodology for calculating taxes on profits result in a higher corresponding income of the joint venture as compared with those figured by the British methodology.

Although joint ventures have been removed from strict centralized planning, they remain dependent on the sphere of material-technical supply and up to now are in an environment which in principle counteracts entrepreneurial activity. The influence of the Ministry of Foreign Economic Relations [MFER], sectorial ministries, and Vneshekonombank [Foreign Economic Bank] may have an impact on the joint venture's activities. The MFER has the right to suspend export-import transactions, the right to license exports remains in the hands of sectorial ministries, and Vneshekonombank is authorized to restrict freedom in handling accounts, independently change the reporting system, charge higher interest rates from clients, and so on.

Three main methods to allow a joint venture operating on the country's territory to earn hard currency have now been defined. The first is to produce goods intended for sale on the world market or for use by the Western partner. The second is to obtain profits in hard currency within USSR borders and the third is to sell the output produced by the joint venture both on the Soviet market and in the markets of third countries (for example, personal computers will be produced jointly with the American firm Management Partnership International Corporation for sale in our country, while software will be produced for export abroad).

We should mention that in the world practice of joint entrepreneurship, serious attention is given to the rules for obtaining long-term bank loans in the country in which the joint venture is located. Thus, BERI, the information service in Germany, publishes special indexes which describe the degree of risk for setting up a joint venture abroad three times a year. These indexes include a number of evaluation criteria with a relative significance of 2 percent to 12 percent. The conditions for offering long-term loans in the national currency, at a fairly high interest rate, 8 percent, is one of them.

As the practice of joint entrepreneurship on our country's territory shows, many charter holders envision using long-term loans to realize capital investments as early as the development stage of the technical and economic substantiation. Western entrepreneurs are in no hurry to invest their own capital in our country's economy in significant amounts, and so the amount of loans being obtained is often several times greater than the overall charter capital of the joint venture. But in world practice banks as a rule require 30 percent participation by the joint venture using its own capital to realize capital investments. Many joint ventures request loans from Western banks. And the conditions for offering them may be even more advantageous than in USSR Vneshekonombank institutions. However, Soviet legislation's lack of the category of real estate, which everywhere serves as security for a significant part of the loans granted by foreign banks, prevents this practice from becoming popular. Western creditors would like to see USSR Vneshekonombank as the guarantor on the Soviet side first of all, but in most cases it refuses to offer such guarantees.

All the enumerated negative trends which arise in the process of the activities of joint ventures mean that slightly more than 10 percent of the total number of registered joint ventures are operating effectively.<sup>9</sup> Only 30 percent of the existing joint ventures operate in the sphere of industry, and of them 6 percent are in machine tool building and 21 percent in instrument building, 20 percent offer engineering and intermediary services, 20 percent are involved in advertising activity, and 10 percent—in development and realization of software systems, while joint ventures account for 20 percent in the services sphere. In this way, a shift toward the nonproduction sphere is evident, and that is the result of the high rate of return on capital investments there.

The territorial distribution of joint ventures is not equal either. Thus, the highest density of distribution of joint ventures is in Moscow—about 64 per 1 million residents, while the average for the country is 4.4. The density in Estonia is high—57. This indicator is less than 2-3 in the RSFSR (not counting Moscow), in the Ukraine, and in Belorussia, while in most rayons of Central Asia it is less than 1 per million residents.

The concentration of joint ventures in Moscow and in the Union republic capitals is the result not only of the better infrastructure conditions, presence of qualified cadres, and the international ties set up, but also of the proximity to administrative offices where it is simpler to resolve problems involving the venture's activities.

A downtrend in the amount of the joint venture's charter fund is apparent. Its average size in 1987 was 6.9 million rubles [R], in 1988—R3.9 million, and in 1989—R2.27 million. This proves that charter holders are trying for the most part to set up small joint ventures which do not require substantial investments and quickly become self-supporting. At the same time, however, the proportion of foreign participants is gradually increasing. In 1987 it amounted to 34 percent, in 1988—39 percent, and in 1989—42 percent.<sup>10</sup>

As the most mature form of international economic cooperation, joint ventures are especially important in forming the new structure of the Ukraine's economy. This is related to their potential to have a positive influence on the processes of market orientation and promote integration into the world system of economic activity.

At the same time, however, it is precisely the market economy with its inherent developed normative-legal and economic regulators and corresponding infrastructure which is the best medium for developing joint ventures effectively. This medium is still in the formative process in the Ukraine.

The process of the Ukraine acquiring sovereignty, which was developed after the Ukrainian Supreme Soviet's adoption of the "Declaration on State Sovereignty of the Ukraine" on 16 July 1990 and the UkSSR Law "On Economic Independence of the Ukrainian SSR" on 7 August 1990, is the key factor in the above. Now the Ukraine has the sovereign right to regulate all forms of international economic relations, including joint entrepreneurship, on its territory. The Ukrainian Ministry of Foreign Economic Relations has been created.

On 1 January 1990, 83 joint ventures with foreign partners from 26 countries had been registered in the Ukraine, while 1,274 joint ventures had been registered in the USSR overall. The aggregate charter fund of the joint ventures was R170 million in the Ukraine and R3.3 billion in the USSR.

Rather small joint ventures with charter funds of less than R1 million predominate in the Ukraine (58.4 percent). The proportion of Ukrainian partners is 60

percent of the aggregate charter fund and of foreign partners—40 percent. Thirty-nine joint ventures, or 44.6 percent of the total number of those registered, conduct economic activity in various sectors, while the same indicator for the country is 14.4 percent. Citizens of the Ukraine make up 98.8 percent of all those involved in joint enterprises. The total volume of production and sales of joint ventures in the Ukraine in 1989 was R72.019 million, and of them 93.9 percent were in industry.

Joint ventures exported 3.315 million foreign currency rubles worth of output (0.05 percent of the Ukraine's total export volume) and imported 19.15 million. While secondary raw materials predominated in the structure of joint venture exports (more than half), primarily modern equipment (92.4 percent) and computer hardware are being imported. We should mention that more than 20 percent of the existing joint ventures have sold their output for foreign currency, at a total value of R14.247 million. By 1 January 1991, 113 joint ventures had been registered in the Ukraine and they produced goods and services worth R374 million in 1990.

On the basis of the data cited, we can draw the conclusion that the Ukraine's joint ventures are carrying out their activities more successfully than in the USSR as a whole, and the volume of their output is steadily increasing. The irrational structure of export-import operations, where the export of raw materials continues, even though it has been through primary processing, and expensive modern technology and equipment are imported, remains the main shortcoming in their activity.

According to materials of USSR MFER, in the Ukraine the largest number of ventures have been set up with firms of the FRG—9 (12.5 percent), Austria—8 (11.11 percent), France and the United States—7 each (9.72 percent), Hungary—6 (8.33 percent), Poland—5 (6.94 percent), and Canada and Bulgaria—4 each (5.55 percent), and with firms of Belgium, Yugoslavia, India, and Switzerland—3 each (4.17 percent), Spain, Australia, and Italy—2 each (2.78 percent), and with firms of certain other countries—1 joint venture each.

There are examples of several foreign partners participating in one joint venture. Thus, the SVENAS joint venture is Soviet-Austro-American while the joint venture Pnevmoavtomatika is Soviet-Austro-Hungarian.

The geography of the location of joint ventures in the Ukraine is fairly broad, but most of them are located in cities and major rayon centers. In terms of density of joint ventures per million inhabitants, Kiev and Kiev Oblast are in first place. Here 23.6 percent of the joint ventures are located.

The Ukraine's joint ventures differ substantially in terms of the size of the charter funds. In addition to large volume charter funds in major enterprises, such as Rida (Donetsk), which deals in export-import goods and services, at R20 million, and Rotor (Cherkassy), which sells

patents, licenses, and so on with a fund of R14.5 million, there are enterprises with relatively small charter funds—under R100,000 (for example, Odessa with a fund of R40,000, whose object of activity is planning and surveying work).

The profile of the activities of the joint ventures set up in the past period shows that for now foreign partners are not very active in setting up joint ventures in sectors which are of priority to our economy—machine building, electronics, and chemical industry, where substantial investments are needed and the period of repayment of capital invested is postponed. For the most part they are interested in joint ventures with an engineering, information, service, or computer orientation which do not require substantial investments when they are set up and provide profits in shorter periods of time. The main directions of export of the joint ventures operating in the Ukraine are science-intensive output (patents, licenses, and "know-how")—22 percent, service—22 percent, raw materials and equipment—26 percent, building materials—11 percent, clothing and souvenirs—11 percent, and others.

Joint ventures are for now the only organizationally and in many respects economically independent subjects of economic activity on the Ukraine's territory. The independence granted to joint ventures in carrying out production, investment, and foreign economic activities allows them to formulate and effectively implement their own strategy. However, the incomplete reform of the economic mechanism is a restraining factor in the formation of an economic environment favorable for joint ventures. The Ukraine's state enterprises' virtual lack of independence and the right to handle their own resources has a negative effect on the activities of joint ventures too.

In order to resolve the problems involving the creation and activities of joint ventures, first a precise state strategy must be worked out. We should abandon the orientation to support and encourage all joint ventures, in particular gigantic projects which require substantial withdrawal of material and financial resources from national economic turnover. On the level of state policy, priority attraction of foreign capital and expansion and reconstruction of enterprises which produce extremely scarce consumer goods must be encouraged. And here we should not limit ourselves only to light industry. Production of passenger cars, videorecorders, and other, above all very scarce, durable goods should receive priority development.

We must not allow the creation of enterprises which produce output which is known to be inferior by international standards. Even if these enterprises are set up, they are doomed to be even more backward in the future and their output will never be competitive on world markets. So we must use various incentives to support and encourage the creation of joint ventures in highly technological sectors which hold priority for development of the Soviet economy. Tax exemptions, at least for

the first 5-10 years, exemption from the need to obtain export and import licenses, and exemptions from a number of administrative restrictions which fetter the activity of joint ventures can act as such stimuli.

As was already mentioned, the inconvertibility of ruble income into hard currency remains one of the most fundamental problems for joint ventures. But this situation is not hopeless. We already said that the purpose of the joint venture should be to create not just any consumer output, but only output which is competitive with the foreign output, that is, output known to be competitive on world markets. There should not be two standards—one for the foreign consumer and one for the domestic consumer. The standards should be the same—output sold for currency. A joint venture's ability to produce such output is the first guarantee of the convertibility of their income.

Of course, solving the problem of the convertibility of the ruble is not so simple. It is not always advantageous for the foreign participant in the joint venture to create output which would be competitive either with that of his own country in the markets of other countries or with the direct imported deliveries of his output to our country. In that case it is possible to conclude agreements on counter trade, that is, to turn the act of creating a joint venture into a diversification deal which presupposes the foreign partner participating on a concurrent and mandatory basis in exporting from the country other output which is not related to the production being set up. This practice was used successfully in East Germany and allowed it to export a large part of the industrial goods which in a different situation would have gone to Western markets.

In order to stimulate the creation on our country's territory of joint ventures which use modern equipment and technology in production, it would be a good idea, rather than selling patents and licenses abroad (which is not always beneficial from the economic standpoint), to allow foreign firms which participate in the joint ventures on our territory to use these patents and licenses only if they use them to create new types of equipment and other output which may be sold in the USSR or on the world market for hard currency.

In 1989 the head of government of the state of Baden-Wurtemberg Lothar Spet suggested to M. S. Gorbachev the idea of setting up an "industrial park" in the USSR in which up to 20 West German firms could operate. This productive idea could have been used for the entire scientific-technical orientation of the creation of joint ventures. "Industrial parks," that is, special zones where with the government's help enterprises working in the sphere of the latest technology are set up, are very popular in the West. We should mention that we are not speaking of free economic zones, which are broadly represented in the economies of China and certain other countries. In our opinion, we should orient ourselves to the sectorial and scientific-technical priorities when

developing joint ventures, rather than to territorial priorities. In free zones, after all, enterprises of different orientations would be under the same conditions.

The question of employment of the population can also be tied to the creation of joint ventures. In our country several labor-surplus zones have developed, in particular in certain republics of Central Asia and the Transcaucasus and in some rayons of the RSFSR. Here we must stimulate the creation of joint ventures oriented to labor-intensive production, and that would help partially resolve the problem of structural unemployment which inevitably arises in the transition period.

Given the structural perestroika of the Soviet economy, we do not need depersonalized open zones where all production is encouraged equally; we need joint ventures located throughout the country and oriented to satisfying domestic demand for consumer goods and exports based on the latest achievements of science and technology, as well as to the creation of production output for the technical reequipment of backward sectors. It is toward those things that we should direct a precise state strategy which puts those foreign investors who use their own capital to produce output in sectors which hold priority in our country under more favorable conditions.

#### Footnotes

1. See BIKI, 9 December 1976.
2. BUSINESS EASTERN EUROPE, 1 February 1988, p 34.
3. EAST-WEST JOINT VENTURES, p 74; JOURNAL OF WORLD TRADE LAW, Nov-Dec 1986, p 635.
4. TRADE/R. 527, 1987, p 6.
5. EAST-WEST JOINT VENTURES, p 4.
6. See: SP SSSR, No 16, 1988, p 16.
7. See: PRAVDA, 10 October 1988.
8. Kashin, V. A., "Kak vybratsya iz nalogovoro labirinta" [How To Get Out of the Tax Labyrinth], Moscow, 1990, p 8.
9. See: KOMMUNIST, No 12, 1990, p 32.
10. EKONOMICHESKOYE SOTRUDNICHESTVO STRAN-CHLENOV SEV, No 10, 1990, p 30.

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#### Economic Prospects with CIS Discussed

92SM0202Z Sao Paulo GAZETA MERCANTIL  
in Portuguese 28-30 Dec 91 p 3

[Article by Raquel Stenzel]

[Text] Brasilia—At medium and long range, the dismantling of the Soviet Union and the Emergence of the

Community of Independent States (CIS) could bear good commercial fruit for Brazil. This is the opinion of counselor Carlos Antonio Paranhos, acting chief of the European Department of the Ministry of Foreign Relations. He feels that having more players will be advantageous for trade. "When trade is not conducted with just one company or one state, the possibilities for doing business expand," he argues.

Paranhos believes, meanwhile, that it is necessary to wait for a clearer definition of the trade relations which the former Soviet republics will have among themselves, whether they will have a common currency, and what rules for foreign trade will be adopted, before one attempts a deeper analysis of Brazil's commercial future with the CIS and with each of the republics individually.

Trade between Brazil and the Soviet Union was always beyond the possibilities of the two countries. In 1990, trade between the two countries came to \$400 million, with the balance favoring Brazil (our exports came to \$300 million). According to the counselor, the poor trade was not the result of any lack of political will to increase it, but rather of structural problems, given that the bulk of the Brazilian exports were of products of low aggregate value, primarily raw materials, and given the Soviet insistence on basing its exports on heavy equipment for the public sector and not permitting associations of capital and technology with the private sector.

The first "joint ventures" between Brazilian and Soviet companies were formed only recently: one for the production of orange juice, with Brazilian, Swedish, and Russian capital; and one for the manufacture of Staroup jeans, in Moldavia. This "joint venture" is the only tie that Brazil has with a company that is not located in the Russian Federation.

Paranhos believes that the new rules of the market that should be established with the new independent states could make it easier for Brazilian companies to place processed food products, fruit juices, shoes, leather goods, clothing in general, and banking and commercial automation in these new markets. He acknowledges, however, that the international competition for this markets will be very great.

The conquest of a share of these markets will require added effort by Brazilian private enterprise and by the chancery, which will have to sell a positive commercial image of Brazil to the local companies.

According to Paranhos, the first step will be to recognize the trade possibilities with each of the republics and to determine the areas of interest. Then Brazil should begin to participate in industrial fairs and send business delegations to these new sovereign states.

Within the CIS, Russia presents the greatest commercial possibilities. Hence, the Brazilian diplomat believes, the struggle for this market will be intense. Meanwhile, the other republics could be a means of entry for Brazilian products in the CIS. He cited the Ukraine, the great grain

producer, which has already demonstrated an interest in purchasing Brazilian soybeans and exporting equipment for the generation of electric power. "The interests that are emerging will be specific; you will not be dealing with artificial things," Paranhos said.

The recognition of the independence of the former Soviet republics, announced by the Brazilian foreign ministry on 26 December, has already had positive repercussions for Brazil. According to Sebastiao do Rego

Barros, Brazil's ambassador in Moscow, the recognition by the Brazilian Government of all the republics was reported in the newspapers and on television in the former Soviet Union.

"We do not assume a professorial posture and we do not make distinctions between the republics based on internal issues. This has already given us favorable political capital, which could bear fruit in our relations with the new republics," Paranhos concluded.

### US-Soviet Tourism Venture to Create Major Moscow Business Center

92UF0314A Moscow IZVESTIYA in Russian 7 Dec 91  
Union Edition p 6

[Article by V. Mikheyev: "Farewell to the Slavyanskaya"]

[Text] Three years ago a project was outlined for an American trade center involving lease of the Slavyanskaya Hotel on the banks of the Moscow River. The joint venture [JV] brought together two American companies, "Amerikom" and "Redisson," and on the Soviet side—Goskominturist USSR [State Committee for Foreign Tourism]. Joint operation—along with training in the crucial art of management—promised the Soviet partner guaranteed income in the amount of \$12 million per year. Today they are preparing to kill the goose that laid the golden egg. What happened?

The idea of 36-year-old California businessman Paul Tatum was simple and attractive. An American trade center would spring up next to the hotel, where 50 employees of Amerikom would provide management functions and other services. Here 125 companies would be able to lease office facilities on a long-term basis, and another 150 firms could be temporary occupants. They would have at their disposal a furnished office, photocopying equipment, telefax, a typewriter, telex, and a computer with a laser printer. An exclusive computer network would link them with their representatives and with private residences in other parts of the city.

An object of well-deserved special pride is—satellite communications. By the end of the year an American banker or industrialist staying at the Slavyanskaya would be able to pick up the handset and automatically receive a connection with the telephone system of New York, without going through an operator at the city telephone station.

Understandably, the Amerikom Joint Stock Company, which includes 1,700 American entrepreneurs, was not capable of such a massive undertaking; however, they had invested \$3.5 million dollars in the project, together with the Redisson Co. And they supplied equipment valued at another \$3 million. In October of last year they found a source of loans: some creditors were prepared to loan \$50 million, and others an additional \$18 million. And then they proposed that Goskominturist firm up the agreement for the further course of joint construction of the unique center; moreover, our partners gave written assurance of guaranteed income for five years in advance. In the event of non-fulfillment of this obligation, Goskominturist had the right to break the agreement without a second's hesitation and without risk...

The turning point came in mid-November 1990. The Soviet side initially had accepted the obligation of guaranteeing occupancy of no less than 50 percent of the hotel (Since Goskominturist has a monopoly in receiving foreign guests, such a guarantee was not the product of

megalomania, but the result of elementary calculations). But then, suddenly, the Soviet side went back on its word. And without the weighty word of this state agency, not a single Western bank would be in a hurry to grant loans.

Yet another participant in the drama appeared unexpectedly. The Economic Administration [KhoZU] of the Russian power structure declared that the Slavyanskaya was its property. People in police uniforms showed up at the main entrance, with orders not to admit anyone. Later it became clear that KhoZU was simply unaware of the existence of the joint venture.

Goskominturist, which had not shown any particular zeal in searching for credit, suddenly—the day after the declaration of the transfer of the Slavyanskaya to Russian jurisdiction—allocated \$2.5 million for furniture.

In March the relationship between Amerikom and Goskominturist shifted to the plain of battle. Tatum's company proposed selling its 40 percent of the shares to the JV. Or else, to transfer all that it had acquired jointly with the Soviet side and to abrogate the original plan, which the Americans had thought out from A to Z.

In a letter of 19 April 1991, the head of the Joint Venture Department of Goskominturist expressed a serious complaint: that Amerikom is to blame for the fact—which the esteemed agency had calculated while shedding no few tears—that every month the Slavyanskaya Hotel stands idle represents a loss of 2.5-3.5 million US Dollars. This sum, the letter states, represents non-receipt by Inturist of "currency receipts in the event of independent operation of the hotel without creation of the JV." But in April the telephones had not yet been installed: What serious businessmen would want to stay in a hotel cut-off from his partners and business contacts?

The final chord, as it turns out, was struck in document No 18-2-03 of 6 November, over the signature of RSFSR Deputy Finance Minister Yu.M. Ulyanov. This document quoted Article 19 of the Russian law "On Foreign Investments in the RSFSR"—"Since a year has elapsed since the registration of an enterprise with foreigners, and each side has failed to invest in the Statutory Fund no less than 50 percent of the amount stipulated in the founding documents, the Inturist-RedAmer Hotel and Commercial Center Joint Venture, shall be considered void and shall be liquidated."

It was in the early 1980's that Tatum's first attempts began to take shape, just as the first buds of a Soviet proto-market economy began to emerge. The red tape; the inexperience—the inability to find a skilled secretary, not to mention a typist fluent in both languages, capable of drafting a business letter or an order. On the whole, it was a failure. After three years of shuttling back and forth, which involved spending a considerable sum of money, Paul went home to California empty-handed.

But having been burned once, Paul is not afraid to try again. Amerikom is not reneging on its \$3 million debt;

after all, the postponement was merely the result of differences of views with the Soviet partners on the financing of the project as a whole. Paul proposes the following argument: The deliveries of technologically-complex equipment must be credited as a contribution to the statutory fund. Over 70 percent of existing joint enterprises have used this very method for fulfilling their obligations. If this becomes the object of a dispute, then it can be resolved only by an arbitration tribunal, as the Agreement on Establishing a Joint Venture stipulates.

Following the documents from the Russian Finance Ministry, the joint venture's bank accounts were frozen, and shipment of goods through customs were blocked. According to the latest information, the RSFSR Finance Ministry has re-examined its position; or at least the document on liquidation has been given another interpretation: it is not the basis for breaking up the joint venture, but only an analysis of the current financial situation. The difference is a crucial one.

I shall quote from a letter of 15 November from the president of the Amerikom Co, Paul Tatum, to Russian President Boris Yeltsin: "Local bureaucrats have become accustomed to thinking in categories of, 'The larger the firm, the better!' Unquestionably, gigantic trans-national corporations with budgets in the billions of dollars play a large role in the future of your country; but it is precisely the small companies in the West which play the principal role in filling the gaps in the economy and in technology, and in introduction of new ideas..."

What is the way out of the impasse? In August yet, Russian Premier Ivan Silayev addressed the USSR Cabinet of Ministers, with a proposal to give its consent "to replace the Soviet founder—Goskominturist USSR, with a group of Russian non-governmental organizations, headed by the Russian Congress of Business Circles." The Congress of Business Circles of Russia and "Vozrozhdenie," the Fund for Social Development of Russia, and a number of other organizations are prepared to redeem the Soviet portion of the statutory

capital. Similar thoughts are contained in a letter from Russian Vice President Aleksandr Rutskoy: "Another important factor is preservation (with replacement of the Soviet partners) of the Soviet-American joint venture established in 1990 on the facilities of the Slavyanskaya Hotel."

On its part, Amerikom and Redisson gave their consent to partnership with Russian non-governmental organizations, after firming up the obligation in this event of making their contribution to the statutory fund within one month, and then within a period of six months to provide for the receipt of loans in the amount of 20 to 30 million dollars, necessary for completing the reconstruction and modernization. As a result, this complex will become one of the most technologically-advanced in Russia.

It is worthwhile noting that during Boris Yeltsin's visit to the USA he was handed a letter from US Commerce Secretary Mossberg, in which the project for the hotel and American trade center in Moscow was named one of the three most important projects for cooperation with Russia.

Alan Scherr of Brown University in the city of Providence gives his account of the joint enterprises registered with the USSR Ministry of Finance: out of 3,200 only one-third are in operation, and two-thirds are counted only on paper—either they did not dare be opened, or they have already gone bankrupt. But the Amerikom Co., as the LOS ANGELES TIMES informed its readers, is an exception to the rule that, "a project might appear to be uncomplicated on paper, but putting it into effect would require several years of behind-the-scenes political and economic maneuvering."

Maneuvering, alas, is still going on. Paul Tatum stubbornly refuses to submit to the rule of a strange monastery. He does not want to play by the rules of business accepted in our prohibited "economic expanse." What will become of this, his war of nerves? Is it really, "Farewell to the Slavyanskaya"?

**FRG Reactions to 'Commonwealth' Described***92UF0340A Moscow PRAVDA in Russian  
12 Dec 91 p 4*

[Report from foreign capitals by correspondents V. Drobkov, Ye. Grigoryev, and A. Stepanov under the rubric "World Reaction to Events in Our Country: Concern for Their Own Fate Also"]

[Text] Bonn—Even though having become accustomed to a certain extent to the political earthquakes in the former Soviet Union, German political circles and the press were flabbergasted by the news from Brest, the sentence pronounced there on the USSR as a subject of international law and the creation, as it is titled here, of the triple "Slavic union". It is clear today from a glance at the German mass media that this topic has eclipsed the meeting of EEC leaders in Maastricht called on to adopt a historic decision on European union and its financial and economic basis. Not only the front but also the inside pages of the newspapers and their leading articles and commentaries are once again being made over to the events in our country.

The headlines are of interest in themselves: "Triple Slavic Union in Place of a World Power", "Mikhail Gorbachev Left Powerless", "King Without a Realm", "Gorbachev Does Not Acknowledge End of the USSR", "Cold Putsch Against Gorbachev", and "Soviet Union Is Buried". This kaleidoscope prompts the thought that there is as yet no clarity and certainty of opinions among German observers and Sovietologists. It is, indeed, difficult arriving at some common denominator hot on the heels of events.

We are assembling the facts, I was told in Bonn's foreign policy department when I inquired of the viewpoint of local diplomats. Nor did the press and information department know whether the federal government would put out a special statement. It was more likely, the spokesman on duty surmised, that the EEC countries would express their position jointly in Maastricht....

To sum up the comments of the local press in connection with the decisions of Russia, Ukraine, and Belarus the funereal note on the end of the Soviet Union stands out in them primarily. People have in recent months become accustomed to this "tune", which has been repeated daily virtually, and for this reason some people are now turning it into a final apotheosis. DIE WELT, for example, writes that "although following the August putsch the end of the USSR had been proclaimed often, it has this December Sunday finally, by all accounts, dissolved into political nonexistence". Some German analysts are in this connection calling on Bonn and the West as a whole to make the subject of their principal attention the new community of independent states and to pay their last respects to notions concerning the expediency of the existence of a political center in the former USSR.

But there are in the ruminations of local political circles more questions as yet than there are answers. Even DIE WELT believes that "we will still have to wait to see if there results from the initiative of the three Slav republics the unimpeded building of a stable community of states, although," in its opinion, "prospects have never before been so promising". The forecasts in the commentaries sound extremely uncertain and contain reservations, being reminiscent more of conjecture and guesses.

As always and in all things, the FRG is worried primarily about its own prosperity. For this reason much uneasiness in connection with the current changes in the former Union is evoked by the fate of Soviet nuclear weapons. Some people are sketching scenarios of a possible intraunion and European apocalypse. Others, particularly those who perceive the fragmentation of the former world power as a conclusive and even desirable fact, are reassuring the public that, considering the joint statement of the three republics, there is no real danger of this dreadful potential being triggered. Nonetheless, the situation concerning control of the Soviet nuclear weapons seems unclear to many people. "This," the Munich SUEDEDEUTSCHE ZEITUNG writes, "is leading to uncertainty within a global framework and cannot be allayed by assurances that the 'triple union' will assume the international agreements and commitments of the Soviet Union. It has not gone unnoticed that the rulers of Russia and Ukraine particularly are experiencing a temptation to gain prestige with the aid of the nuclear weapons on their territories or are, on the other hand, making contradictory statements of intent in respect to these weapons."

How will events develop further? What will become of Gorbachev? How will the other republics react to the Brest decisions? What impact will the dramatic economic and food situation have on political evolution in the USSR? For what policy under the current conditions will Bonn and the West opt—wait and see or immediately initiate assertive activity geared to contacts with the new "troika" and, particularly, its Russian and Ukrainian nucleus? These and dozens of other such questions are making the rounds of the newspapers and continuing to preoccupy local political minds.

Such are the voices and views in today's Germany. They reflect primarily an understanding of the complexity and ambivalence of events, and for this reason even opinions expressed in a definite tone are necessarily being accompanied by a number of reservations.

**Need for Limited Western Aid Analyzed***92UF0377A Moscow ROSSIYSKAYA GAZETA  
in Russian 18 Dec 91 p 7*

[Article by Yuriy Kashin: "Can the Russians Solve Their Own Problems"]

[Text] "Please help! Your contributions can save lives"—this is the appeal BILD, a popular newspaper in the FRG, addressed to its readers in a report on the start of a joint

**campaign with the ARD television broadcasting network for humanitarian aid to Russia.**

The newspaper gave its readers the number of a bank account for their donations and stressed: "Russia could suffer a catastrophic food crisis this winter. Children and the elderly will suffer the most. This is why BILD and ARD are launching a massive campaign for aid under the slogan 'Hearts for Russia.' We will make certain that the aid is used for the right purpose. Your donations, dear readers, must not get lost in the shuffle. With the aid of our local correspondents, we will see to it that the aid is given directly to those who need it."

BILD offered its readers a specially commissioned "Medal of Peace" for 39.5 marks. The portraits of President Richard von Weizsaecker of the FRG and President Boris Yeltsin of Russia are engraved on one side of the medal, and the other portrays St. Basil's Cathedral in Moscow and the Brandenburg Gate in Berlin. All of the profits from the sale of the medal will be used to cover Russia's needs.

Chairman Friedhelm Ost (CDU) of the parliamentary Economic Commission also issued an appeal to the Western countries for the quickest possible start of a purposeful and extensive campaign for economic aid to the Soviet Union to prevent a new putsch, chaos, and crisis. The EC, the United States, and Japan, he said in a DIE WELT interview, still "have not done enough" to mobilize their efforts to extend economic and financial aid to the USSR. The United States' share of all of the projected Western aid, which is now estimated at around 90 billion marks, is only around 5 percent, France's share is around 2 percent, and the figures for other countries are 1 percent for Great Britain, 0.25 percent for Japan, and less than 0.1 percent for Sweden and Norway. The situation is so serious, the deputy said, that this is not the time for political bookkeeping. Politicians, in his opinion, must use this last chance for the peaceful construction of the common European home, regardless of the cost.

The reserved American reaction was criticized in this context by THE NEW YORK TIMES. Although President Bush has been adept in solving problems in international relations, it remarked, he has been oddly passive with regard to the main issue—the offer of economic aid to Russia in its hour of need. It is true that Bush has offered emergency food assistance and the deferment of loan payments, and that the Senate apparently plans to approve a modest program of aid for the destruction of nuclear and chemical weapons (in the USSR—Yu.K.), but the seriousness of Russia's present situation and the scales of the opportunities presented to the West call for much more than this reserved response. The United States had probably taken these factors into consideration when it recently proposed that an international conference be convened in January to coordinate the efforts of Western countries to give us humanitarian aid. It did not, however, mention any kind of new substantial aid from the United States.

Now that the Soviet Union has collapsed, the West has understandably turned its attention to Russia. The Russians are moving toward democracy and should be ready to enter the market at any time, but if the economic reform in Russia should hit the skids, things will not be any easier for the other republics. Besides this, the economic collapse of Russia could lead to a political collapse and the alarming prospect of a new dictatorship—and this one would be armed with a nuclear arsenal.

Jeffrey Sachs, a professor of economics from Harvard University, proposed an interesting plan in this context. In his opinion, the West will not have to make any great sacrifices. He proposes a program of aid costing 15 billion a year, of which the United States would pay around 3 billion.

If this program can make Russia part of the free economic world and preclude its further militarization, the United States will save many times this amount in military expenditures alone.

The aid in his plan would be aimed at, and conditional upon, market reform. Around 5 billion would be used for emergency food assistance, 8 billion would pay for imports securing the continued operation of enterprises, and 4 billion would be used to stabilize the ruble, representing the first step in the liberalization of foreign trade.

This explicit program is far preferable to the halfhearted response of the Bush administration.

Not all Western experts agree with Sachs, however. Two of his countrymen—Professor Paul Roberts from the Center for Strategic Studies and President Edward Lozanski of the Russia House trade and economic center in Washington—claim that broad-scale food assistance will weaken incentives for radical agrarian reform and establish the long-term dependence of the recipient country on the donors. We will not be doing Russia any favors, they assert, by supporting its inefficient socialist economy.

Obviously, aid also has its positive features, but almost all of them are more likely to benefit the donor than the recipient. Another loan would benefit primarily the Western bankers and other desperate creditors who could finally get at least part of the astronomical sums owed to them, the experts maintain, but this same loan would handicap Russia even more by increasing its foreign debt.

Experts stress that Russia is not like the poor African countries that are incapable of feeding and clothing their own people. It can solve its own problems. The participation of Western businessmen and experts can only accelerate the process, and this would ultimately be of benefit to all.

**Report on German-Soviet Effort To Combat Drugs**

92UF0375A Moscow RABOCHAYA TRIBUNA  
in Russian 17 Dec 91 p 3

[Article by Vladimir Ostrovskiy, special correspondent (FRG-Moscow): "This Is a War, Not a Struggle...."]

[Text] *Everything has been calculated in Germany. They know, for example, that a citizen with an average income would have had to work 235 hours to buy a color television set in the former GDR but now has to work only 20. Although food prices have risen, the working citizens in the new lands of the FRG have more extra cash and, consequently, more opportunity to buy durable goods. It has been calculated that German unity costs a family of four 125 marks a month (the price of a pair of men's shoes, a suede jacket, a light raincoat, etc.). At least 100 billion marks will be invested in the economy of the FRG's new lands each year. A genuinely rich country can afford this....*

My journalistic interest in this trip was aroused by something else, something that is completely different but is also indissolubly connected with Germany's wealth. Last summer I literally traversed the so-called "Balkan corridor," through which drugs from many Asian countries are shipped to Europe. Drace Dimitrijevic, the chief drug control inspector from the Yugoslav Secretariat of Internal Affairs, told me that 30,000 pickpockets on the buses do less harm than 10 people delivering 5 kilograms of heroin each. A whole chain of crimes and deaths is attached to each kilogram.

Last fall a 21-year-old inhabitant of Munich died of a heroin overdose (just 0.3 grams). This was the thousandth victim of addiction that year—the highest figure in Europe. This year the number of deaths in the FRG has already reached 1,500. Five hundred more lives! There were 103,000 reported cases of substance abuse (10.2 percent higher than last year's figure). The Bonn police feel that the high mortality rate is due to the fact that the drugs on the market are of the highest quality and purity—unadulterated drugs.

This is corroborated by the statistics of the German customs service: The amount of hashish and marijuana entering the country has almost tripled since 1989, the amount of heroin has more than tripled, and the number of drug-related crimes in total crime statistics is almost 15 times as high. These figures have displayed the same tendency to rise this year.

Peter Zimmermann, the head of the drug control administration of the German customs service, explained that the international drug mafia regards the FRG as an extremely lucrative market: The population has a great deal of money and a high standard of living. After being throttled by the American administration's campaign against drugs, the drug syndicates are moving their operations from the North American market to Europe, particularly the FRG. The drug mafia has been exerting

particularly strong pressure on its borders with Czechoslovakia, the Netherlands, Belgium, and France. Customs inspectors are the first to feel this pressure.

They are fighting on the side of criminal investigators in a constant war against the drug trade and its "couriers." It is a special kind of war, an invisible and dangerous one. I came to the FRG to cover a recent operation conducted by the Soviet and German customs services jointly with Belgian and Dutch customs officials. It sounds quite intriguing to the uninitiated, but it was actually just one of the routine incidents in the work of any state's customs service.

What I found most interesting about this operation was all of the unfamiliar details that distinguish the work of the FRG's customs inspectors from that of our own. What will we have to do in order to raise the work of our customs service to the international level? These differences were always uppermost in my mind when I spoke with German customs officials. I should begin by pointing out the fact that this service is part of the FRG Ministry of Finance, which also seems strange to us but is common in the West.

The head of this service, Walter Smutzer, does not simply know Nikolay Yermakov, the chairman of our Customs Committee, by reputation. Their work has brought them together several times, they know all of the details of the work of their own agencies and related agencies in neighboring countries, and both are wholly in favor of cooperation and the exchange of experience. The first to receive me in Bonn was W. Smutzer, and the first to hear what I had to say after I returned to Moscow from the FRG was N. Yermakov.

Of course, the scales of the work performed in our country and in the FRG are incomparable, but it is important to realize that our country has become a transit artery for drugs moving from Southeast Asia, Pakistan, and Afghanistan to Europe, to its northern areas and to its center—the FRG. Drug traffickers want to deliver their "merchandise" along the least expensive route, representing the safest mode of transport for the freight, and do not waste intermediaries on the dangerous routes. They often send several couriers along different routes to learn which are the best. This experience is then carefully analyzed and put to use quickly, before the good routes can be blocked by customs inspectors.

The bill of lading accompanying two containers of walnuts sent by rail from Afghanistan to the port of Riga said they belonged to a warehousing firm in Koeln. Our customs officials already knew at the beginning of the trip that the containers held 3 tons of hashish. The freight was kept under constant surveillance, and in Riga it was transferred to the jurisdiction of the German customs service. P. Zimmermann coordinated all of the details of the operation in Moscow. It was a fairly complex operation because it involved inspectors from four states, and the procurators of these countries had

given the "go-ahead" for investigative measures in all of them. I will give you a brief account of the events: The recipient unexpectedly had the freight removed from the ship in Belgium. It was then driven to Rotterdam, where it was divided into smaller shipments and then taken to a small town on the outskirts of the city. It was there that the ten people involved in the final phase of the delivery were apprehended. Nine of them have already pleaded guilty to the charges. "Our Soviet colleagues conducted the strategic portion of the operation superbly. This was an extremely gratifying cooperative effort in the professional sense and on the human level," Zimmermann remarked in his assessment of the operation.

The comments of FRG Minister of Justice Klaus Kinkel, with whom we spoke, were equally interesting. "I think," he stressed, "that the drug trade will become more dangerous in the Soviet Union and will turn into a major problem. On the other hand, drugs are also a legal problem. We are now drafting a new bill for the more thorough regulation of matters connected with the struggle against the drug mafia." The minister said these matters included the confiscation of drug profits, the removal of drug money from circulation, the work of the customs service and the police with the agents directly engaged in the struggle against the drug mafia, and the methods of police surveillance. He hopes that the law will be passed in the beginning of 1992.

This certainly does not mean, however, that the customs service and police are working without adequate guidelines in the FRG today. I was surprised to learn that a national program was adopted here a year ago to control drug abuse. The authors of this program felt that legal standards should cover not only the struggle against illegal drugs as such, but also the laundering of drug money. The document gives law enforcement agencies in the FRG the right to investigate the profits of businessmen and identify the holders of cash—i.e., to infiltrate the "inner sanctum" of the banks and financial bodies. Banks are now obligated to keep records for the identification of individuals receiving cash in certain amounts. This allows an investigator to trace the movement of money in drug transactions. The use of this information for other purposes is forbidden. We should adopt this practice in cases in which secret bank accounts of shocking proportions are discovered and no one knows the source of these incredible sums.

Furthermore, it would be wise to make preparations for a booming drug trade within our own territory, because the drug mafia abroad is certain to use the separation of the sovereign states for more than just the shipment of drugs to Europe. The possibility of more intense efforts to produce drugs in our country cannot be excluded.

Meanwhile, our customs inspectors had 2 weeks of on-the-job training in the Frankfurt-on-Main Airport in November. There is something to learn here. German customs officials have not left the slightest gap open to the drug trade in the "air gate to Europe." A group of plainclothes police detectives and customs inspectors

here manages to isolate the luggage of transit passengers, search it for drugs, begin the surveillance of suspicious passengers, intercept their contacts, including the people picking up the drugs, and so forth. There is a polyclinic next to the airport customs office (just a 2-minute walk away), where a "courier" can be x-rayed and where surgery can also be performed to remove drugs (in ampules) from his stomach. In just 6 months of this year, 39 kilograms and 310 grams of cocaine were discovered in 20 cases.

Our customs service, as I learned when I returned, has equally pressing concerns. A customs union is being formed in our country, and its members will be the sovereign states belonging to the economic community. Their combined territory will constitute a single customs zone. Under these new conditions, the Customs Committee will make the arrangements for international cooperation and represent us in international organizations. These procedures will be complicated by the increasing pressure of the foreign drug mafia and our own.

People in Bonn and in Komsomol Square in Moscow, where the Customs Committee is located, are well aware that united effort by all countries in the struggle against the drug mafia must be practiced daily.

#### **Soviet-German Transport Venture Profiled**

92UF0372A Moscow PRAVDA in Russian 5 Dec 91 p 5

[Article by Ye. Grigoryev: "Wesotra—A Reliable Partner: The 'Architects of Transport' Provide Important Services"]

[Text] In the labyrinth of the central streets of Cologne, especially since they are one-way, it is not simple for just anyone to find the building in which the headquarters of the Soviet-German joint venture Wesotra is located. Its full name is "Wesotra Spedition und Transport GmbH." That is, dispatch transport company. It is a modern building built for offices where Wesotra takes up a spacious floor; it is altogether indistinguishable from the surrounding facades. But thousands of clients in Germany, our country, and in other European countries already know the company's address well.

It appears that Wesotra's telephones, teletypes, and faxes are operating under an increased load today. The company is involved with urgent orders organizing the shipping of 100,000 tons of potatoes from regions of northern Germany to St. Petersburg. The volume of freight and the extremely short deadlines are convincing proof of the firm's capabilities and potential.

The routes of the deliveries of potatoes by truck and railway transport to the Baltic ports of Mukran and Rostock and the times the ships are to be loaded and leave are considered, calculated, and put into the computer in advance. Therefore the information coming to the firm and going out to the recipient of the freight is operational and is basically used to check against the

schedule by days and hours. And one of the main secrets of Wesotra's reputation among clients and of its business success is that they always fulfill orders and contract obligations precisely and skillfully.

Wesotra Spedition und Transport GmbH is a relatively young company. It emerged in Cologne 16 years ago. With its activity Wesotra continues long traditions of Soviet-German cooperation in the business of freight shipment and dispatch. Wesotra general director V. V. Makarov displays the unique documents that created the "Russian-German Transport Company" back in 1921. The corresponding treaty was at that time signed by the RSFSR trade representative in Berlin B. Stomonyakov and by A. Hopf, one of the directors of the prominent Hapag-Lloyd Company. Located on Unter den Linden in Berlin, the company in time became a major dispatch firm which had branches, warehouses, garages, and such things in 17 German cities. In the 1950s, however, it was turned over altogether to the ownership of the German side in the form of the GDR.

In a sense Wesotra had to start all over again. But even then it managed to win its "place in the sun" in the German and European dispatch sector and is now considered to be among the respectable firms able to fulfill any freight shipping order. Only about 100 people, including 11 of our specialists, work in Cologne and the country's branches in Lubeck, Berlin, and Frankfurt-am-Oder. But the company's annual financial turnover is 120-140 million marks and the volume of freight delivered is from 1.5 to 2 million tons.

Unfortunately, in our country the dispatch business has suffered great setbacks in recent decades. Although practically every institution and enterprise has the post of "dispatcher," the essence of this occupation has been emasculated. So much has been written about counter shipments! But they could have been avoided if our country had had a dispatch sector and the occupation of dispatcher who regulates freight traffic. It is for good reason that they are called the "architects of transport" in Germany.

Of course, Wesotra has its specific features. They include freight shipping within the framework of our economic exchange with Germany. In the area of shipments between the two countries, Wesotra has achieved respectable indicators because of the skill and ability to offer the most favorable conditions to the client in the competitive rivalry on the transport market. Today the firm's share in freight shipments between Germany and the USSR by truck is 90 percent, by rail—80 percent, and by sea—about 50 percent.

"Our strategic goal now is to preserve and when possible expand present positions," V. V. Makarov explains. "This is not easy, since reduced volumes of traditional exports and imports have been evident on both sides in the recent period. However, there are new possibilities. With the unification of Germany we are expanding our activities to new Eastern lands and acquiring new clients

there. It cannot be ruled out that in the future the main part of the freight will come from there. It is also obvious that the business will not be limited to potatoes, and we must be fully ready when shipping large batches of other foodstuffs bought in Germany and West Europe.

"We are preparing to create the most favorable transport conditions for enterprises and entrepreneurs of Russia and other republics. They are now acquiring the freedom to appear on the foreign market with their goods and to make import purchases and barter deals with partners in the West. With a branch in Moscow, we are opening one in Yekaterinburg in the Urals; it has large foreign economic potential. Incidentally, for several years now Wesotra has been maintaining sponsorship ties with the local Avtomobilist hockey club, organizing its tournaments in the FRG from time to time, and helping develop its financial independence. But to return to our direct business, we are considering setting up a Wesotra branch in Nizhny Novgorod too, in order to draw in the Volga region," the person I am talking with says.

Russian and other clients in our country may obtain a considerable number of different kinds of services from Wesotra. One of the firm's priority goals was and remains reducing expenditures of Soviet participants in foreign economic activity when shipping export-import freight between the two countries. Transport duties are quite high in Germany. Taking care of its clients, the firm is trying to get significant discounts when their freight crosses German territory. These sums total in the millions of marks a year.

It is essential that Wesotra can deliver freight to any point in Germany or West Europe or export it from there for the Soviet client, and using any type of transport. The joint venture's organizational structure permits this. Its coowners are three Soviet participants—Soyuzvneshttrans, Promsyrimport, and Sovtransavto—and three German ones—Schenker, a subsidiary railway firm, the large dispatch company Kuene and Nagel, and the Pracht firm, which belongs to that same Hapag-Lloyd Company which began Russian-German cooperation in freight shipment in the 1920s. The German partners have more than 250 branches in the western part of the country alone. Wesotra may use this developed network when organizing shipping. It is a different matter in the new federal lands where Wesotra's West German coowners did not have a base, and so the company is setting up its own infrastructure there.

Wesotra may also be counted on when documents or small lots of spare parts have to be delivered on an urgent basis, as they say. For this purpose the firm has set up a courier service which is operating successfully. It guarantees that urgent freight will arrive in Moscow from Germany in 36 hours or to any point in the Union in an additional 24 hours. In our country this is done

through the network of the Wesotra coowner Soyuzvneshttrans. Moreover, Wesotra is cooperating extensively in organizing shipments in both directions with transport firms of Ukraine, Belorussia, and the Baltics.

Finally, let us recall the free consultation services provided to Wesotra clients. They are provided to delegations and representatives of enterprises and firms arriving in Germany. They can also be obtained through the company's office in Moscow. They can cover specific features of transport in Germany and recommendations on the correct wording of contracts, setting of transport rates, and reduction of nonproduction expenditures for transport operations.

Wesotra undertook to publish a manual "Your Trade Partner—the Federal Republic of Germany," prepared in conjunction with our trade delegation. It provides basic information on the FRG and introduces its economy and market system, foreign economic legislation, and working conditions on the German market. The main chapter is devoted to the contract law foundation of the trade-economic cooperation of our countries and export-import and quota systems, and so on. The recommendations on questions of searching for partners in Germany, living, working, and travel conditions in the country, even ordering a hotel, the customs control regulations, and conditions for leasing space are very useful. The book has a register of Soviet institutions in the FRG and joint ventures, as well as FRG state institutions and offices of its banks and firms in the USSR with the addresses and telephone numbers in both countries. The publication's print run is for now quite small—15,000 copies. Although the book came out this year, additions in connection with the unification of Germany were not included. But that does not diminish the manual's timeliness.

The conditions of the market, the constant tough competition, and the changing economic circumstances have taught Wesotra managers to be very enterprising and flexible. The director of the truck transport department, V. V. Fatyushin, tells us that because of the present-day collapse of the monopolies, including Sovtransavto, Wesotra is recruiting new carriers and helping them obtain equipment. In fact negotiations are underway in the department with the representative of a potential carrier of the new Moscow firm Ekspresstrans. Working not only with transport firms but also with people who are called "one-person companies," which have only one truck, Wesotra envisions such a possibility in the future in relation to our "one-horse" carriers too, if they appear in conditions of the market.

A trade department was recently set up at Wesotra in order to diversify channels of income. In addition to direct trade activity, it is involved in intermediary deals by "bringing together" suppliers and customers of both countries.

Wesotra's activity shows the possibilities of applying the direct efforts and capital of Soviet and German business

partners. It also reflects the important fact that our managers like V. V. Makarov, the energetic head of Wesotra, and the firm's other Soviet employees are fully able to master the secrets of the market economy and successfully use them in practice. Wesotra is offering a broad and useful set of services to Soviet clients and our enterprises and firms which are now freely appearing on the foreign market. Without a doubt this is the time to become acquainted with Wesotra or start doing business with it.

### **Ties Between German Market, Siberian Gas Detailed**

*92UF0285A Moscow NEZAVISIMAYA GAZETA  
in Russian 30 Oct 91 p 4*

[Article by Leonid Skobtsov and Yelena Chernova: "Siberian Gas in Networks of Intrigue: Will the Most Promising Branch of the Russian Economy Be Able To Break Free?"]

[Text] We were prompted to address this topic by KOMSOMOLSKAYA PRAVDA. This summer it printed an article, "Everything Burns with a Blue Flame," about the difficulty the East Germans are experiencing in their efforts to merge into the Western economy, the many unemployed people in the new lands of the FRG, and the severe ecological problems in the former GDR, where, in contrast to prosperous West Germany, home utilities and industrial power engineering are based on extremely hazardous lignite, which must be replaced soon by ecologically harmless natural gas.

Suddenly, in this hour of difficulty, a former roommate in the socialist camp, Gazprom, a Soviet (now Russian) state concern, demanded that the East Germans pay 25-30 percent more for natural gas than the West Germans (Gazprom's actual demand, regrettably, was a more modest 12-19 percent—L.S. and Ye.Ch.). The East Germans, represented by the Vau NG gas company, were naturally quite offended. Vau NG even considered replacing its selfish Russian partners with unselfish Norwegians and thereby shutting Gazprom out of the most promising market in Europe.

### **In the Foyer of the Common European Home**

Maybe we could also feel pity for the East Germans who are trying to get used to the blessings of capitalism, maybe we could also accuse the Gazprom administrators of nearsighted greed, if it were not for one thing. At one time, in SOTSIALISTICHESKAYA INDUSTRIYA, the publication of blessed memory, we tried to dig down to the roots of the notorious deal of the century—"Gas for Pipes." There was one fact that amazed us even then.

The gas extracted from the polar swamps of Siberia and then sent 5,000 kilometers, through pipes bought from Mannesman, to the West German border, was being sold to Ruhrgas for 160-170 Deutsche marks a thousand

cubic meters by Soyuzneftekhimeksport [All-Union Association for the Export and Import of Petroleum and Petrochemical Products].

After the same thousand cubic meters of Siberian gas had traveled 250-400 kilometers in West Germany through the Ruhrgas lines, it cost consumers 250, 300, or 450 marks. The gas business, therefore, was becoming quite profitable, even superprofitable. It is no coincidence that the firms trading in natural gas are companies in Great Britain, Holland, and Norway—i.e., countries which could not be categorized by any stretch of the imagination as underdeveloped states. Last year, for example, British Gas earned 1.6 billion dollars in profits—i.e., almost 32 million dollars for every billion cubic meters of gas it sold. The income of gas companies in the old federal lands of the FRG totaled (before taxes) DM18 billion, with capital investments of 3.5 billion. This is a profit margin beyond the wildest dreams of the laborers toiling in the polar tundra.

We might wonder why our firms are not selling our gas themselves and earning two or three times the profit.

It turns out that they would not dare to do this. They simply would not be allowed into the West German market. Ruhrgas dictated the terms of the "Gas for Pipes" deal from a position of strength and specifically reserved itself the exclusive right to sell Soviet natural gas in the FRG. With the backing of guaranteed deliveries, all the way up to 2008, of gas from the Union (representing 33 percent of total consumption in the FRG), it managed to gain control of more than 70 percent of the gas market in the old federal lands. Another 20 percent of the market is controlled by the BEB company, a firm closely related to Ruhrgas by reciprocal capital ties.

It is not surprising that Ruhrgas and BEB, despite all of their respect for perestroika and for Gorbachev and Yeltsin, have no intention of sharing their superprofits and jeopardizing their own monopoly status in the market.

Furthermore, with the aid of their government, Ruhrgas and BEB also took control of the only gas company (i.e., another monopoly) in East Germany—Vau NG. This was the same company that complained to the KOMSOMOLSKAYA PRAVDA correspondents that Gazprom had offended it in various ways, but what actually lay behind these offenses was Ruhrgas' simple desire to feel as much at home in East Germany as in the West. At home, as we know, the walls keep intruders out. If the Siberian gas were to be delivered to East Germany on Ruhrgas' terms, Vau NG's markup (the difference between the purchase price and the sale price) would be DM80—half of what the seller would receive after carrying the product 5,000 kilometers.

Of course, Gazprom and other Soviet producers of competitive goods (which, oddly enough, are quite plentiful in number) had a chance to break through the wall when another wall—the Berlin Wall—came down. No

one would have blamed Gorbachev for making the unification of Germany conditional upon the removal of protectionist barriers impeding the sale of Soviet goods. If he had done this, there would be no need for the compassionate Germans to send food packages to their impoverished conquerors. Our enterprises and businessmen could have earned a hundred times as much in the rich market of the unified Germany.

The policy of the "new thinking," however, presupposes the protection of common human values instead of national interests. The general secretary of the CPSU Central Committee will always be more concerned about the fate of the Communist Honecker than about the lost profits of Soviet businessmen. As a result, our industrialists never got beyond the foyer of the common European home.

#### **A Man Standing Alone on the Battlefield Is Not a Warrior**

The report by the KOMSOMOLSKAYA PRAVDA special correspondents that the previously acquiescent Gazprom was demanding a fair price for its gas from Vau NG made people wonder. It takes a great deal of strength and a great deal of nerve to pick a fight with Ruhrgas, which has the backing of not only the German Government, and not only Mannesman and four of the "oil sisters" (Mobil Oil, British Petroleum, Esso, and Shell), but also, and primarily, the occupants of Kremlin offices—old and new—whose hearts had been won by two and a half decades of inducement.

In contrast to its German contracting partners, Gazprom cannot count on government assistance and political support. The old central government of the Union and the new republic officials put too high a value on their "special" relationship with the FRG to take the risk of complicating it. Neutrality is the best that can be expected from them.

What prompted Gazprom to take this bold step?

It seemed to us that this was born mainly of desperation. Yes, today the gas industry is the last bastion of stability in the crumbling economy. This is the third year that all of the others have been stricken by recession, but the gas industry even displayed some growth just half a year ago, compensating to some extent for the decline in coal and oil production.

Yes, this is the last major source of foreign currency receipts. The gold reserves are disappearing. The oil industry overtaxed its strength feeding all of our cripples and beggars and is now "sinking" at a rate of 10 percent a year (by 1994 the former Union and Russia itself will cease to be categorized as oil exporters and will be known as net-importers of oil). The only one left is Gazprom, which accounts for 37 percent of world exports of gas (almost 110 billion cubic meters). Around 70 percent of the exports are paid for in hard currency, and 30 percent are covered by shipments of goods in line with a set of clearing agreements.

In our country, with all of the interruptions in supplies of bread, sugar, and gasoline, the supply of gas to households has been uninterrupted. One of the reasons, incidentally, is that the astute Viktor Chernomydrin, the former minister of the gas industry, managed to "hang out a new shingle" in 1989 and led the industry away from the pressure of Gorbachev's reforms and the administrative innovations of the people's deputies of the USSR. By sacrificing his ministerial seat, he preserved the viability of the production structure as a whole.

But a man standing alone on the battlefield is not a warrior. Miracles do not happen in economics: Cuts in investments (by more than half in 3 years, from 10.5 billion rubles in 1988 to 4.9 billion this year) are followed unavoidably by cuts in production. By 1990, for example, only a third as many compressor stations and half as many gas mains as usual were being installed, and not one gas preparation facility was built, although they were previously being built at the rate of six a year.

It is not surprising that the growth rate of gas production has fallen from 6.2 percent in 1988 to almost zero this fall. Reduction will begin soon. The fixed (and obviously too low) prices of the blue fuel guarantee citizens cheap utilities, but cannot guarantee expanded or simple reproduction. These losses are not being covered by export revenue either: The branch receives only 12 percent of the total receipts—i.e., no more than 600 million dollars a year (normal development would require a figure 4.5 times as high). Everything is appropriated by the treasury—first the Union treasury and now the Russian one—to pay socialism's debts and to buy food and medicine for a population incapable of feeding itself. After suffocating the oil industry with excessive requisitions, the socialist state is ready to kill the last goose laying the golden eggs. If nothing else, it might consider the fact that it is better to starve in heated apartments than in unheated dwellings.

There is one chance of survival: Money for development must be obtained from the West and in the private sector, because the state simply does not have any.

The amount of money required will be substantial: enough to develop the transpolar Yamal zone, renovate old gaslines, and build new ones (requiring 32 million tons of 1,420-mm pipe alone). In 1991 prices this would amount to 210 billion rubles in 1992-2010 and 13-15 billion dollars (to buy everything not produced in the Union) in the next 8 years.

The money will be needed soon: The productivity of the Urengorskoye and Yamburgskoye deposits (representing 66 percent of the Union output of gas in 1990) will begin declining sharply by 1996, and the loss of these capacities must be covered in time in the Yamal zone. Otherwise, we will have to forget about exports and about our own gas supply programs.

This is why a place in the West European gas market is a matter of life or death to Gazprom. An increase in its

foreign currency receipts will increase its chances of attracting foreign capital on beneficial terms in place of the present shackling agreement.

#### A Trap for Russia

Europe, which is preoccupied with ecological matters, is just as interested as we are in the natural gas of West Siberia in general and Yamal in particular. Chernobyl nullified the prospects of nuclear power engineering. The comparative damage caused by heat and power plants operating on gas, fuel oil, and coal has been measured at 1:4:10. This is why there is so much interest in the European Energy Charter, which would be meaningless without Russia's crude fuel resources.

Whereas Western Europe took the collapse of the Soviet oil industry in stride (Soviet oil exports represent only a negligible 1.5-2 percent of the world oil trade), the death of the gas industry is not at all in the strategic interest of the Europeans. Neither the Dutch nor the Norwegians can compensate for the cessation of exports from Siberia. The inevitable soaring of natural gas prices in this event would certainly benefit monopolists like Ruhrgas, but it would hurt the competitiveness of the European Community as a whole.

Ruhrgas executives must realize this. This turn of events is certain to turn public opinion against them, especially now that the public already regards energy monopolies and companies with suspicion. They are willing to repeat the pattern of the deal of the century—i.e., to extend credit for the development of the gas industry, as they did a quarter of a century ago, and then recover it, as usual, in the form of shipments of natural gas to the border of the creditor country.

There is no point in suggesting this to Chernomydrin. No sensible administrator would put his neck in this noose. After all, the foreign currency profit margin on the development of the Yamal deposits in line with the "Gas for Pipes" plan will not exceed 7 percent. The interest on long-term bank credit, however, is 8.5-9 percent. By accepting credit on Ruhrgas' terms, Gazprom will spend another 15 years effectively subsidizing its already rich German partners.

A plan that is unacceptable to economic administrators, however, might sound tempting to politicians. The party bosses were tempted a quarter of a century ago, after all, by the shackling terms of the deal of the century! Ruhrgas has a chance of success even in the new offices of government. The USSR may no longer exist, but post-communist Russia is a socialist country. There is still no separation between the state and the economy. This means that strategically detrimental economic decisions, dictated by current political conditions, are highly probable.

Politicians in the former Union center and the new republic centers of power are concerned about surviving today and finding food for tomorrow for citizens teased by promises of a better life. Which of these politicians

are analyzing the prospects for economic development and planning long-term investments for 5, 10, or 15 years into the future? None of them. The length of the political lifespan has become frighteningly short and is measured not in years, but in weeks, or in months at best. The best strategy, therefore, would be the offer of credit for the gas industry not to Gazprom, but to the government, and if there is the added "bonus" of food aid, it will have difficulty refusing. Accounts will be settled in 5 or 10 years. A whole eternity away! The money and food can be here today.

This is the maximum program.

Judging by all indications, however, Ruhrgas has also prepared a minimum program for Russian officials. Emissaries from Mannesman, one of Ruhrgas' shareholders and the main supplier of pipe for deals like the "Gas for Pipes" program, recently paid a visit to the Russian Ministry of Foreign Economic Relations. Klaus Liesen, the head of Ruhrgas, will arrive at the beginning of November. The purpose of these visits is quite obvious. Ruhrgas has expressed a willingness to buy natural gas over and above the amounts stipulated in earlier agreements in order to help Russia and give it additional foreign currency.

### The War Over the Soviet Legacy

When we discuss business, especially the gas business and Ruhrgas, altruistic motives have to be ruled out from the start. Why, we might wonder, would Ruhrgas want additional shipments of natural gas if Germany officially intends to diversify natural gas supply sources and reduce the proportional amount of Soviet (or Russian) natural gas in its market? Ruhrgas' own development strategy is based on the premise that the physical volume of shipments from Siberia will be the same in 2005 as in 1990, and this means that their share of the market of unified Germany will decrease from the present 37 percent to 29 percent.

The fact is that the USSR's former Warsaw bloc allies, especially Poland and Czechoslovakia, also intend to diversify their gas supplies (representing no more or less than 50-55 billion cubic meters a year). Half of the amount will be covered by Gazprom in line with inter-governmental agreements of past years, and the other half will now be bought in the West—from the same Ruhrgas, for example.

It would be fairly expensive, however, to carry Norwegian or Dutch gas from the North Sea to Poland or Czechoslovakia, not to mention Hungary or Romania. North Sea gas cannot even compete with Siberian gas in the former GDR. A simple exchange operation is the obvious solution: The increased consumption of natural gas in the old federal lands should be covered by deliveries from Norway, while additional shipments from Russia should be rerouted to Czechoslovakia, the former GDR, and farther into Poland through the Vau NG network.

This would not only keep Gazprom out of the Western market, but would also crowd it out of the markets of the East European countries with the aid of its own gas.

The fact that these plans for exchange operations were not supposed to remain on paper is evident from the speed and unobtrusiveness with which Ruhrgas built the connecting strip in Czechoslovakia between the transmission points of Soviet gas to West Germany (Waidhaus) and East Germany (Sankt Katharine). The construction of similar connecting lines between the Vau NG and Polish gas networks is being completed. The goal is simple: to prevail upon the Russian Government to tighten the noose around Gazprom's neck by promising Ruhrgas additional shipments of natural gas.

### In Combat

We must admit, however, that the administrators of Gazprom bear little resemblance to whipping-boys. Ruhrgas wants to push Gazprom out of Eastern Europe, but they are still planning ways of breaking into Ruhrgas' private domain—Germany, because Germany is the key to the European market: The gas transport arteries leading from the North Sea and the Siberian deposits to all of the corners of Europe run through its territory. The unification of the two Germanies provided Gazprom with an opportunity: After all, the prohibitions of the "Gas for Pipes" deal do not extend to the territory of the former GDR.

Gazprom first made an attempt to buy Vau NG, but the Bonn government prohibited its sale to foreigners (after lengthy battles and the intervention of Helmut Kohl, Gazprom received only 5 percent of its stock). After it had been shown the door, Gazprom refused to be left out in the cold and tried to climb through the window: It found an ally in the struggle for the German market. This ally was the largest consumer of natural gas, the BASF chemical concern (with a turnover of around DM47 billion and with its own reasons for putting an end to Ruhrgas' monopoly and simultaneously getting into the gas business itself).

Winters Hall AG, a subsidiary of BASF (with a turnover of more than DM5 billion), and Gazprom's Soyuzgazekspart formed two joint ventures last year with equal participation: one (BIEX) for the sale of natural gas in European markets, and another (Stegal) for the construction of Stegal's and Midal's own gaslines in Germany.

BIEX will buy natural gas from Gazprom and from Norwegian, Dutch, and German firms at world prices and sell it to consumers directly, without going through Ruhrgas. Its profits from the sale of Siberian gas will be distributed 85:15 in Gazprom's favor for the first 8 billion cubic meters a year, and 50:50 for any amount in excess of 8 billion. Gazprom's share of the profit on sales of natural gas from other countries will be 30 percent.

In this way, by selling gas to BIEX instead of Ruhrgas, Gazprom will make a minimum of DM30-40 in additional profit on each thousand cubic meters of natural

gas and will gain a good place in the market just before the inevitable increase in natural gas prices in the next few years.

Furthermore, with the aid of BIEK, Gazprom can now carry out the same exchange operations Ruhrgas planned to launch against it in Eastern Europe. Giving up part of the East European market to its own BIEK would even give Gazprom an advantage: Eastern Europe's settlements with the West are in hard currency, whereas its settlements with the Union (or Russia) are clearing transactions.

The main thing, however, is that the hard currency profit margin of the Yamal projects would rise under these conditions from Ruhrgas' 7 percent to a more or less acceptable 11-12 percent. There would be a chance to go into the Arctic tundra with foreigners instead of toiling there in haughty Russian solitude.

#### The Russian Gazprom's "Achilles Heel"

The Achilles heel of Gazprom and of all Russian industry is their own government. Whose side will Russian officials take in the upcoming battles over markets and shares? How resolutely will they defend the interests of national capital? Only God knows.

There have been rumors that Boris Yeltsin will tour Eastern Europe and then visit Germany in November. The dates and purpose of the visits have not been announced yet, but if he does go, this is certain to clarify the position of the Russian leadership and its ability to promote national economic development.

The same Gazprom, for example, is extremely interested in having the president of Russia use his influence in Czechoslovakia to settle the disputes over the terms of the transit of Siberian natural gas through the territory of the CSFR (Ruhrgas is now trying to gain control of Czechoslovakia's gas mains as well as the Vau NG network). He could convince the Poles that a new gasline through their territory would lessen their dependence on Czechoslovakia. He could take Gazprom's side in its battle with Vau NG for fair prices. Finally, and this is the most important thing, he could refuse to give in to the attempts of old and new friends to get additional shipments of natural gas in exchange for food deliveries.

We believe that thousands of other Russian enterprises and businessmen will have thousands of their own wishes, but the common denominator will probably be honest and fair trade on equal terms for all parties. Will these problems be addressed during the Russian president's discussions and negotiations with the leaders of the East European countries and Germany? Or will the European visits be a mere propaganda performance, with the hidden agenda of a test of comparative strength with Gorbachev on the Western stage?

We will have to wait and see.

#### U.S.-Swedish Cooperation to Plan Nuclear Strikes Alleged

92UF0415A Moscow IZVESTIYA in Russian 26 Dec 91  
Union Edition p 5

[Article by IZVESTIYA Correspondent M. Zubko, Stockholm: "Declassified Sensations from the Military Archives: Neutral Sweden's Air Force Planned to Conduct Nuclear Strikes Against the Territory of the Soviet Union"]

[Text] The port cities of the former Soviet Baltic Republics—Tallinn, Ljyepaya, Ventspils, and Klaypeda, and also Leningrad could have been subjected to nuclear strikes by neutral Sweden's air force. Strange? Incomprehensible? But it is true. Archival documents, which have just been declassified by Swedish Armed Forces Commander-in-Chief General Bengt Gustafsson, attest to the possibility of such strikes.

With the end of the Cold War, a process of extremely interesting historical admissions has begun here in the West: various facts are becoming more widely known to the public, for example, about preparations for a third world war, things which a simple man could not even think about before.

The Swedes, in particular, recently learned about the close cooperation of their country's intelligence services with NATO and the Pentagon which continued throughout all of the postwar years, and also that the CIA at one time trained sabotage detachments in Sweden in case "Soviet troops occupied the country." And here is another discovery more sensational than all its predecessors: according to published data, the Swedish military began work to develop their own atomic bomb no later than the 1960's. The country's government at that time formally allocated funds for a program to protect against nuclear destruction. But this money was in fact used by an "atomic bomb team." Without waiting for the manufacture of the Swedish atomic bomb, former Swedish Armed Forces Commander-in-Chief T. Rapp and former Defense Chief of Staff K. Almgren developed a plan for preventive strikes against the Soviet Union.

During those years, Sweden's military doctrine proceeded on the assumption that during an attack on Western Europe, the Soviet command would inevitably violate Swedish neutrality and land their amphibious troops on the country's eastern seacoast. That is why T. Rapp and K. Almgren planned to conduct (one may assume, within the framework of the West's general response) bomber strikes against the Baltic ports and Leningrad where, according to their notions, the attacking army would be concentrated.

During the attack on the port cities, the Swedes thought of using no fewer than 10 atomic bombs, each of which would have been more powerful than the one dropped at Hiroshima by the Americans.

One other variation existed which was associated with repelling a possible Soviet invasion into the northern part of Sweden through Finland. The "atomic bomb team" experts wrote the following on this score: "The nuclear weaponry needed to repulse an attack from Finnish territory is 50-100 nuclear warheads." (this was obviously a question of tactical weapons.—M.Z.)

But that is not all. Naturally, the leadership of Sweden's armed forces understood very well that their use of nuclear weapons would cause retaliatory strikes against their country's territory. In so doing, the military realized that the civilian population would also suffer. At defense headquarters, taking population density into account, they even predicted how many Swedes would die during the explosion of an atomic bomb in each of the attacked areas.

It is time to say that the Swedish atomic bomb was never developed. Restricted discussions on the theme of neutral Sweden's supposed need for weapons of mass destruction took place in the country's political and business circles in the 1960's. The military actively tried to win over the leaders of the business world and the bankers. But the Social-Democratic Party leadership then governing the country gained the upper hand and succeeded in rejecting the advocates of the bomb.

Ambassador Inga Thorsson, who headed the Swedish delegation on disarmament talks for many years, had this to say about that time in an interview with the Swedish press: "Those opposed to Sweden signing the treaty banning nuclear weapons testing were not a majority in the ranks of the Social-Democrats, however, I think the military leadership never really realized what the atom bomb represented. Really, the idea of dropping 10 such bombs on Soviet ports is monstrous. And I know the military had senseless plans of subjecting Leningrad to a nuclear strike."

In 1968, the Swedish government decided to sign the Nuclear Nonproliferation Treaty, thereby putting an end to the "atomic bomb team's" activities, and canceled the military's plans associated with the doctrine of nuclear strikes against the enemy. Stockholm newspapers, commenting on the Ministry of Defense archival documents that are being made public, asserts that work on developing weapons of mass destruction in Sweden continued even into the beginning of the 1970's despite parliament's ban.

Naturally, neutral Swedes are astonished by the military's plans which the local newspapers are now describing in detail. But we think it is also important for our readers to know this story, to gain a deeper consciousness that until quite recently nuclear confrontation was so very acute and dangerous that neutral Sweden's military strategists even attempted to become involved with it and did not consider possible losses to the peaceful populations of either the Soviet Union, Finland, or Sweden itself.

### Report on New Swedish Inquiry Into Soviet Submarine Incursions

92UF0402A Moscow PRAVDA in Russian  
20 Dec 91 p 5

[Report by Aleksey Boldinyuk, PRAVDA staff correspondent: "From the Depths of the Baltic to the Depths of the Archives: Whose Submarines Were They?"]

[Text] HELSINKI, 19 Dec. (PRAVDA staff correspondent). On the eve of the appearance of the next regularly scheduled report regarding violations of Swedish territorial waters by foreign submarines, this topic—which has already become eternal—is being discussed again in Sweden.

This report comes out annually and contains military information submitted about incidents involving submarines—most frequently designated as "Soviet." However, the Swedes are no longer as firmly confident as they once were that these violaters are coming specifically from the East.

The last time that an unknown submarine "visited" Swedish skerries, i.e., rocky sea cliffs, was in September, or, as Bengt Gustafsson, Commander-in-Chief of the Swedish Armed Forces, specified, "right after the Soviet putsch." People began raising a ruckus at that time, rightly reasoning that this was not the most suitable time for this kind of thing. Even now the commander-in-chief considers that the time is not right or propitious for investigating the activity of submarines in Sweden's territorial waters. Many politicians in Stockholm, however, hold a different opinion.

They are hoping that the new situation in Moscow will allow Swedish representatives to gain access to documents which could shed light on a submarine "epic" which has already dragged on for 30 years.

And while information about such submarines is kept hidden behind the walls of the archives, journalists and mystery buffs have a wide field for suppositions. The Stockholm newspaper DAGENS NYHETER has published an investigative article by Tommi Lindfors, who demonstrates that in 1984 an American nuclear submarine was in the skerries near Karlskrona. At that time Swedish ships pinpointed the "violation" and attempted to destroy or disable it by launching 22 depth charges. And it was just at that time that the TV network ABC reported—with a reference to a source in the Pentagon—that American submarines have, from time to time, sailed into the territorial waters of other countries on intelligence-gathering missions. So could it be that interesting information regarding some long-ago events awaits investigative researchers not only in Moscow?

### Swedish Emissary Invites More Soviet Trade

92UF0372B Moscow *DELOVOY MIR* in Russian  
No 235, 18 Oct 91 p 1

[Article by N. Dalstein, trade advisor of the Swedish Embassy to the USSR: "Sweden: We Invite Cooperation"]

[Text] Our country is greatly dependent on international trade. So the traditions of free trade are almost as strong as the traditions of neutrality. Public opinion has been broadly supporting this Swedish policy for a long time now. It means nonalignment with blocs in peacetime in order to allow the country to maintain neutrality in case of war.

Ninety percent of Swedish industry is privately owned, while the other 10 percent belongs to cooperative, municipal, and state organizations. The cooperative system accounts for 20 percent of the commodity turnover in retail trade on the domestic market.

Over a century Sweden has turned from an agrarian country to a state where only 4 percent of the work force is engaged in agriculture.

The development of technologies has radically changed the state of affairs. Swedish industrial goods reach the entire world. More than half of all the automobiles manufactured by the Volvo and Saab firms are exported abroad. Now Swedish technological know-how is in itself an export product, and one in which there is increasing interest.

About 20 corporations which have founded many subsidiary companies and joint ventures in all corners of the world dominate the export field in our country.

Sweden's dependence on international trade is manifested in two ways—the country depends on imports and exports to the same degree. Fuel for producing energy and operating motors, metal alloys, and chemical substances are the main imported items. Many goods which are being exported contain a large share of components bought in other countries.

But imports encompass more than just industrial goods. The more than 8 million consumers in Sweden with their great buying power make up a fine sales market.

In 1991 imports to Sweden from the USSR totaled 740 million American dollars, while Swedish exports to the Soviet Union totaled 415 million American dollars. In the first 6 months of this year imports declined by 6 percent, while exports even declined by 30 percent as compared with the same period last year. But we hope that the decentralization of foreign trade underway in the Soviet Union will mean significant expansion of contacts between Swedish and Soviet enterprises.

We consider developing commercial ties an important component of the relations between our countries and are trying to develop them in every way we can. I would

like to take this opportunity to send greetings through the newspaper *DELOVOY MIR* to all participants and guests of the 1991 International Technical Exhibit in Stockholm and wish them success.

### Maastricht Pact Said to Address East, West European Concerns

92UF0365A Moscow *PRAVDA* in Russian  
14 Dec 91 p 4

[Article by Staff Correspondent Vladimir Peresada: "A United States of Europe?: View From Maastricht"]

[Text] Up until now the principal noteworthy feature of Maastricht was the fact that in 1673, during the siege of this Netherlands town by the army of King Louis XIV, a certain member of the French nobility named D'Artagnan died. The pen of Alexander Dumas, who used this name for the hero of his magical odyssey of the musketeers, who also dies in the battle of Maastricht, merged reality and fiction. The era of the medieval wars, which repeatedly swept across this city, left many attributes of "D'Artagnan" symbolism here—from the monument to the "King's Warrior," to souvenir musketeers with long swords.

Three centuries later on the night of 10-11 December, an event occurred in Maastricht that overshadowed any literary fantasy. As fate had it, the ancient city that is filled with monuments to schisms and feuds in Western Europe became a symbol of an entirely different aspiration—the aspiration for unity. On that night, at a conference of the heads of state and government of the 12 European Community countries that took place here, documents of an unprecedented nature were adopted—treaties on political and currency union. If one recalls that just recently the West European countries were fighting among themselves, and that it was in Western Europe that the fire of two world wars raged, I think this event should be appreciated on its merits as not just a fact but a phenomenon. As a phenomenon of a new level of civilized relations in today's world, a level at which, alas, we can still only gaze with envy from the sidelines.

The "fathers" of West European integration dreamed of this sort of an association back in the 1950s. The Common Market, formed in 1957, and even the united internal market without frontiers that the "Europe of the 12" plan to establish by 1993, are just approaches to the design that may materialize on the basis of the Maastricht decisions. It is no accident that, in speaking to journalists after the conference's conclusion, Dutch Prime Minister R. Lubbers called the adoption of the new treaties a "turning point in EC history."

What is the essence of this turning point? What, shall we say, is the philosophy of the Maastricht documents?

Both treaties are in front of me. The first covers 149 pages, the second—79. Both of them had dozens of amendments worked into them during the conference. All the nuances remain to be studied, but the main thing

is obvious: in Maastricht a course was set on turning the European Community in practical terms from the economic grouping with elements of political cooperation that it presently is into a genuine union with features of not just a confederative but a federal system. A union with a common line in foreign policy, defense, economics, the social sphere and many others. In other words, a course of transforming the EC into a kind of United States of Europe—a powerful new entity in international politics and the world economy.

But that, I repeat, is the general philosophy of the treaties and the goal they set. I made special mention of the numerous amendments to the draft treaties. Without getting into details, let me note that there were many dividing lines. Both in the course of preparing the meeting and in Maastricht itself, the most diverse blocs of supporters and opponents of the proposed decisions formed. But the main, one might say strategic, opposition developed in the ratio of "1 to 11," that is, between Great Britain and all the remaining EC countries. The position of London, which categorically disputed a number of the treaties' fundamental provisions, was literally a sword of Damocles hanging over the meeting, threatening to abort it. Yet in the final analysis the meeting worked: in an attempt to avoid the conference's failure at all costs, the "11" made concessions to Britain on practically all the disputed points. British Prime Minister J. Major was absolutely right when he stated in a press conference that the "Maastricht meeting marked a victory for Europe and ... Britain."

I want to make special mention of the British "phenomenon." It is somehow customary to say that Britain's long-standing and constant unwillingness to follow its partners toward full-fledged integration reflects exclusively domestic British traditions—in particular, a desire "not to forego state sovereignty in the interest of common European decisions." Incidentally, such a justification is usually offered by London itself. But both Western Europe's political figures and press know perfectly well what the matter is.

In connection with the Maastricht conference it was bluntly said, for example, that the British opposition to the introduction of a common European currency was attributable to the advantages of a close linkage between the pound and the dollar, and that the obstruction of a federal system of union and of a common line in foreign policy and security was due to a reluctance to weaken its "special relations" with the United States. So if it is to be said that "London was victorious" in Maastricht, it should probably be said that a certain victory was also won there by the United States of America, which takes an extremely jealous attitude toward the prospect of greater political independence and economic power on the part of such a projected association of states as the United States of Europe.

So just what, specifically, do the treaties provide for? The most detailed, which also has clear-cut "time coordinates," is the package of decisions on the currency and

economic union. Progress toward it, despite Britain's formal participation in the treaty, may be made without it: as a concession, London was granted the right to make a final determination of its position after several years. In mid-1998 11 EC countries are supposed to create a common central bank, and as of 1 January 1999, a common currency, the ecu, will automatically go into circulation.

Obviously, these countries will not arrive at the final stage all together, since the treaty sets strict criteria for first "putting the economy and finances on a sound footing." Most likely a nucleus will be formed of the most developed states, such as Germany, France and Benelux, which will serve as the "engine" for further currency integration. But in principle it is clear that by the start of the next century the internal market without borders that is presently being created by the European Community will receive the rest of its "financial network" and will be able to become a genuinely unified economic space.

The treaty on political union looks vaguer and, according to the expression circulating in the meeting corridors, "is lame in one foot." This happened, once again, because of serious compromises in deference to London. The clear mention of "federal choice" that was present in the draft is now absent. The European parliament's legislative rights have been expanded, but by no means to the extent of being "supreme supranational powers." A new mechanism for taking union decisions includes for the first time the principle of a specific majority of votes, but only at the level of the Council of Ministers, and it is burdened, moreover, with a rather complicated procedure. This, of course, will make it possible to develop and, most importantly, more effectively implement a common line—for example, in foreign policy. However, the possibility of exercising the veto right in conferences of heads of state is retained, which, as I was told here, "always will allow spokes to be stuck in the wheels."

The point on common defense is especially tangled in qualifications. One thing is clear: it will in one way or another be implemented only as a complement to NATO. Its basis, as one understands from the treaty, will evidently become the present Western European Union, the sole organization in Western Europe that is authorized to deal with defense matters, but which does not yet have any military structures.

The regular battle that Britain waged over the social aspect of the treaty resulted in the fact that the section on the general social rights of the working people was removed from the document text entirely. It was set aside in a special protocol by which only 11 countries will be guided. The policy of the Conservative government, which has declared this an "untouchable sphere," is already well regulated by national legislation, left Britain in isolation here, too, writes the Belgian *Le Soir*.

How is one to assess all these compromises, which weaken the key points of the treaties, including the

consequences of those compromises? Some participants in the meeting are very dissatisfied with the concessions to London. The majority, however, proceed from the premise that at the most complex stage the main thing has been done—a split in the European community has been prevented, and the strategic goal has been preserved.

What a sad note was sounded, against this background, by the declaration specially adopted by the conference in connection with the situation in our country. "Disintegration," "instability," "economic crisis"—the anxious words of this document reflect the Western Europeans' concern over more than our fate. They reflect concern for the fate of all Europe, for amid collapse in the East that is fraught with the potential for unpredictable turns of events, the West will hardly be able to calmly build its own home.

#### **Article on Smuggling of Radioactive Isotopes to Poland Cited**

92UF0367A Moscow *RABOCHAYA TRIBUNA*  
in Russian 12 Dec 91 p 3

[Article translated from Polish by Aleskandr Oskin: "A Scandal?: Are Soviet Isotopes for Sale on Polish Markets?"]

[Text] The Warsaw weekly *SKANDALE* published an article in its 21-30 November issue entitled "An Atomic Bomb in Bialystok?" which we offer to our readers in slightly abridged form.

The Bialystok market, the weekly writes, has become the largest bazaar for the citizens of the former Soviet Union. Everything and everyone can be bought here. But recently supersecret merchants have begun to appear at this popular bazaar. They offer supermodern commodities: uranium, radioactive substances, and even land-to-land class missiles.

The author of the article, Jerzy Tartak, describes one of them. Elegantly dressed, a face with high cheekbones which betrays a certain percentage of Tatar blood, perfect Russian...

There was a time when it was altogether impossible to buy uranium or any other radioactive substance at a market in the Soviet Union. A dealer in atomic goods could expect severe punishment, much more severe than the punishment for drug dealing. Most likely capital punishment. But now? There is fermentation in the army—officers are speculators, soldiers desert, republics split off from Moscow... The end of the world!

Today the dealers in death from the East operate very carefully in Polish bazaars. Vague announcements understood only by the initiated are appearing in the provincial and Warsaw press: "Red mercury... Buy or sell." (The term "red mercury" conceals the name for one of the varieties of a radioactive substance). Similar announcements written by hand can be found in the

Bialystok market too. The very same texts are heard on the local radio from time to time too.

How is this "mercury" gotten across the border? It is very simple. In vehicle fire extinguishers. But real dealers, of course, have the necessary channels on the Soviet-Polish border which allow them to ship the "important" commodity in large quantities.

Who brings in the "red mercury"? In my opinion, the author of the article asserts, they are people who were involved with the KGB structures in the past. And who controls the border now? People from this same system.

And on the whole you can say that the Soviet-Polish mafia is operating on the border. If the Polish-Soviet Friendship Society announced a contest for the best Soviet-Polish friendship organization, the gangsters from both countries would undoubtedly come in first and they would be awarded the "Gold Samovar" (the highest award of the Soviet song festival in Zielona Gora—translator's note).

The nuclear gangsters are just as cruel as drug dealers. Their tools are weapons and murder. Their revenge overtakes the traitor or the fugitive with the "commodity" at any point on the planet. They punish minor offenses by setting cars on fire, wounding people with knives, driving people away, and the like.

"Red mercury" appears at the Polish bazaars in industrial packaging. The regular clients acquire the commodity in standard capsules weighing several kilograms. Lead insulation safely covers the radioactive substance. But death for the uninitiated hides under it. The dealers know very well that if out of ignorance someone pierced the capsule or opened it up, he would receive a lethal dose of radiation. So they do not even open them themselves.

Each capsule has a label with the description of the contents—clearly stating what and how much is contained in the package.

Radioactive substances, isotopes, are a very expensive commodity: 300,000 dollars a portion. A person can get that same commodity for up to 50,000-100,000 dollars in the Soviet Union. Reaching Poland, the radioactive contraband triples in price. And triples again when it goes over the borders of Poland.

Not every state today can legally buy a radioactive substance. So there are buyers in both Africa and Asia who are prepared to pay a great deal of money for the "commodity." Drug dealers never even dream of such sums! The capsules with the "red mercury" follow a complex smuggling route across Bulgaria, Turkey and Israel, Iraq and Iran... but they first come to the Polish border city of Bialystok. The deals are made in absolute secrecy and without witnesses. However, it is absolutely clear that the constant presence in the city of a large number of representatives of the Arab and African mafiosi reflects their interest in the Soviet contraband.

The news in the Bialystok market is the appearance from the Soviet Union of the components needed to manufacture counterfeit banknotes. People say that thanks to these chemicals, bought at the Bialystok market, 100-ruble and 50-ruble notes were manufactured in Vienna in very large numbers.

Photograph: One of the Soviet dealers at the market.

### Turkish, Uzbek Accord Reported

92UF0401A Moscow PRAVDA in Russian  
21 Dec 91 p 5

[Report by Adylbek Kaipbergenov, correspondent: "The Road to Rapprochement: Uzbekistan-Turkey"]

[Text] On 20 December Uzbekistan's delegation headed by Islam Karimov, which had been on an official visit to the Republic of Turkey, returned by a direct flight from Ankara to Tashkent. During the course of four days intensive talks and negotiations were held with Turkey's President Turgut Ozal and Prime Minister Suleyman Demirel. The guests from Uzbekistan also visited Istanbul and Izmir, where meetings were held with representatives of local business circles, as well as conversations about setting up and fine-tuning direct trade and economic ties.

For the first time in the history of Uzbekistan its chief was received as the highest leader or chief of an independent state. An honorary guard consisting of representatives from the three branches of the military service was drawn up on the runway at Esenbog Airport. In accordance with an ancient Eastern custom, a sacrifice was made in honor of the high-ranking guest—a white ram was slaughtered.

One of the principal sensations arising from this official visit was the recognition of Uzbekistan's independence by Turkey's government. An understanding was reached on opening consulates of the two countries concerned in Tashkent and Ankara respectively.

To a considerable extent, Islam Karimov's initial diplomatic success has been achieved by his open and energetic style of communicating and dealing with people. He never tired of repeating that he had not come to beg for aid, but rather to set up and fine-tune relations in the interests of an equitable cooperation. Uzbekistan has something to offer to its partners: in particular, this republic produces a third of the gold from the former USSR, as well as two-thirds of its "white gold," i.e., cotton....

In Ankara Islam Karimov and Turgut Ozal signed several documents regarding bilateral trade, economic, and cultural cooperation. In particular, an understanding was reached on the annual acceptance at Turkey's educational institutions of a thousand young fellows and girls from Uzbekistan.

In an interview prior to his departure flight to Tashkent, Islam Karimov expressed satisfaction with the results of the visit, as well as with the bilateral relations which had been set up and fine-tuned.

"In moving toward a market economy, we have finally chosen the road along which Turkey has been proceeding," the President of Uzbekistan concluded. "We intend to keep moving in this direction."

### Italian Imports Listed, Described

92UF0372C Moscow DELOVOY MIR in Russian  
No 230-1, 12 Oct 91 p 9

[Article by Francesco Alberoni, head of the Milan State University department of sociology and professor: "From Everyday Needs to an Economic Surge"]

[Text] In the view of a Westerner, the reforms in East Europe were begun on behalf of freedom. But essentially the desire to expand the sphere of individual life and provide a new dimension must also be considered a serious motivation for these reforms. This motivation seems less elevated and represents a "weakness" to many people in the USSR and in the West. In our opinion, this condescending attitude is a result of a misunderstanding of the real significance of consumer goods.

The struggle between individualism and collectivism has continued throughout the entire 20th century. Collectivism, whether Marxist or non-Marxist, is not only contrary to political freedom but even restricts freedom of the individual in his desire for self-development and self-expression through articles of the objective world. Even in the West persistent propaganda continues to bring down the significance of the production and use of consumer goods, calling it waste and consumerism.

In the USSR personal life was sacrificed to the idea that the individual person should care only about the might of the State. The iron curtain protected a person from the "contamination of individualism" and its ideas and objects of ownership. It is not without reason that after the Berlin Wall was destroyed crowds of people rushed to Western stores, and it is not without reason that such a hunger for consumer goods is felt in the USSR today. These goods symbolize the freedom to arrange your life as you see fit.

All of these are means to objectivize the ego, the manifestations in which a person knows himself and others learn about him. If we change inside, we also change our behavior and manner of dress and the appointments of our home, that is, we restructure our objective representation. Collectivism, by suppressing these processes, destroys the very roots of individual freedom of self-expression.

It is for that reason that consumer goods in the USSR and other former communist countries are becoming so fundamentally important. For a liberated person they become a symbol of having acquired his individual self.

The processes of the production and acquisition of new consumer goods become enormously important. In order to become your real self, it is not enough to import from outside, you must objectivize your soul. It is precisely in consumer goods that each people expresses their creative abilities and through them resolves their practical problems.

Because of this, I would like to remind you of the experience of the Italian people in the period when they freed themselves of the dictatorship of fascism and quit the war. Even before fascism Italy was a poor country, and the devastation of war was added to the historical poverty. Italians could not afford to buy everyday goods abroad. People wanted to drive cars, but there was, needless to say, no money for the enormous and expensive American cars. But the people could not even afford the domestic Italian cars. And so the Italians thought up the idea of a small motor to be installed on bicycles. The most famous of these little motors was called the Cuccolo, that is, "puppy, little fellow." With such a "little fellow" any old bicycle became a moped, and at very minimal cost. These little motors were produced by the millions. That is the original method the Italians thought of for putting the population on motorized wheels. Then the Vespa and Lambretta motor scooters appeared and gained popularity throughout all countries of the world. Motorcycles were not expensive and used little gasoline. In time small sidecars for hauling goods were added to the simplified motorcycles. Only substantially later did the small urban vehicles, the so-called utilities, begin to appear. But even these first vehicles were tiny and cheap.

So the country managed to create its own consumer goods which it needed at that time, and they were acceptably priced. No one planned or managed the organization of production on a central basis. Entrepreneurs simply felt that the people needed cheap transportation and found the simplest solutions and began to produce the output. Then hundreds of small enterprises appeared and after a short time the market demand was completely satisfied. A large number of the economic transformations in Italy in the 1950s-1960s went according to this model: from below, by the labor of simple people who saw and solved the problems of other simple people like themselves. Our large dairy industry enterprises (production of milk, butter, cheeses, and yogurt) were born from the small home creameries which sold their output to their neighbors. It took 30 years for this industry to become nationwide.

The starting point in all these cases was keen observation of the people's needs and respect for their customs. Let us recall the production of pasta. As is well-known, Italians love it very much. All Italian households used to make pasta products at home. But it would be more convenient to buy it already made. Right after the war thousands of small pasta shops appeared in Italy and they used simple machines made by neighborhood craftsmen instead of manual labor. One of these little factories (Barilla) is now the world leader in production of pasta products.

The firm Ferrero can be considered one more example of this surprising growth; it is the present giant of the European chocolate industry.

Italians do not like things on a "mass scale." They are individualists and each of them is unlike anyone else. So it was difficult to introduce large department stores in our country. In general people preferred small shops where they did not feel one of the crowd and they got better service and were taken care of better. That was where the idea for the firms Benetton and Stefanel came from—a network of hundreds and hundreds of small stores where the customer could find everything he needed instead of the enormous halls of department stores. Stores of one firm and one brand, stores decorated with taste but inexpensively where each customer was a welcome guest.

I have told about Italian experience, although I know very well that the situation in the Soviet Union is altogether different and the problems you face are different. You do not have the postwar ruins of industrial enterprises. On the contrary, a powerful infrastructure operates, although it never was oriented to production of consumer goods and must be restructured in order to begin to produce these goods. In addition, you live in a different historical age. After World War II the Western countries moved far ahead in the production and invention of new consumer goods. These countries are now offering you their consumer items and their models of consumption. But a certain similarity with the situation in postwar Italy still remains. You also have no money to buy Western goods and you are unable to copy Western consumer habits completely. You must clarify what is more important to you, what is urgent, where you are more exacting, and what you want more than anything else. But after you clarify that to yourself, you may imitate, copy, change, adapt, and do everything you want, only in order to realize your dreams. If you manage to do this, other people will also like your inventions. There is no logical order in the priority of consumer goods. It is not true that you have to begin with agriculture, and then raise up heavy industry, then light, and finally, move to spiritual values. No. You must produce what seems necessary now and what you can produce. In Italy in the late 1950s economists asserted that we had to put the emphasis on agriculture and steel production rather than getting into manufacturing more complicated goods. But we constructed our own prosperity precisely on consumer goods: clothing, fashion, shoes. And, finally, on production of machines to produce all these things. But perhaps it will be right for you to do everything just the opposite. Perhaps for you it will be more important to build roads and means of transportation. Perhaps you need not so much passenger cars as general-purpose vehicles suitable for carrying people and freight. It is possible that you also must invent your own "Little Fellow" and your own "Vespa" and your own "Lambretta."

**Table: Italy's Exports to the Soviet Union by Categories of Goods (in millions of lira)**

| Consumer Goods                                               | 1988      | 1989      | 1990      |
|--------------------------------------------------------------|-----------|-----------|-----------|
| Foodstuffs                                                   | 16,543    | 15,654    | 10,676    |
| Wine and Beverages                                           | 423       | 1,175     | 1,768     |
| Leather and Leather Fancy Goods                              | 50,251    | 63,573    | 76,895    |
| Thread, Yarn, and Fabrics                                    | 85,965    | 132,787   | 104,084   |
| Clothing                                                     | 25,798    | 48,781    | 85,212    |
| Shoes                                                        | 12,992    | 143,020   | 133,107   |
| Furniture and Wooden Items                                   | 4,700     | 10,934    | 14,448    |
| Publishing and Cinematographic Output and Photographic Goods | 13,833    | 21,163    | 11,876    |
| Bicycles and Automobiles                                     | 27,761    | 30,497    | 36,726    |
| Household Goods                                              | 42,925    | 56,482    | 37,727    |
| Detergents and Pharmaceutical Compounds                      | 9,791     | 81,140    | 75,542    |
| Musical Instruments                                          | 172       | 888       | 388       |
| Other Consumer Goods                                         | 117,542   | 155,499   | 151,692   |
| Overall (A)                                                  | 408,696   | 762,193   | 740,141   |
| Equipment for Production of Consumer Goods                   |           |           |           |
| Textile Equipment                                            | 88,373    | 225,232   | 140,550   |
| Printing Equipment                                           | 44,076    | 32,755    | 25,779    |
| Equipment for the Food Industry                              | 8,028     | 32,290    | 120,517   |
| Overall (B)                                                  | 140,477   | 290,277   | 286,846   |
| Overall (A) + (B)                                            | 549,173   | 1,052,470 | 1,026,987 |
| Total Volume of Export Deliveries                            | 2,725,702 | 3,529,232 | 3,183,892 |
| A's Percentage of Total Volume of Exports                    | 5.2       | 8.3       | 9.0       |
| A + B's Percentage of Total Volume of Exports                | 20.2      | 28.9      | 32.3      |

**Subsidies to Foreign Communist Parties Defended**

92UF0295A Moscow PRAVDA in Russian  
15 Nov 91 p 4

[Letter to the Editor from Rossen Domenec (Spain), correspondent of the newspaper TRIBUNA in Italy: "Ideas, Not Slogans, Are Needed"]

[Text] Rome—Dear Editor In Chief!

Newspapers in our countries use up a lot of column space on the topic of the CPSU's financing of certain Western communist parties, both in decades past and quite recently. The press is talking about scandalous expose documents made public by the parliament of Russia, as well as the fact that President Gorbachev's signature is on some of them.

Permit me to say that these facts not only do not shock me; on the contrary, I find it all logical and natural. If we look at the present world order, financing of the communists by the CPSU does not look scandalous at all. It is a phenomenon like the actions of the United States in regard to Western parties, trade unions, and all kinds of organizations promoting their policy. The facts related to this aspect of U.S. activities in our Western countries have been documented many times, and I am convinced that now, in light of the "CPSU affair," resolute steps will be taken to prevent further disclosures in order to avoid analogies.

I have already said that this side of CPSU activities not only is not scandalous, not only is natural and logical—it is my deep conviction that it is useful. At least if one looks at it from the position of objectivity.

Should I have the opportunity, I would say to Russian deputies to not get carried away by globally superficial show trials, since they are not only meaningless, but also lead to the imbalance of the bipolar (United States—USSR) world political system, which, despite all its shortcomings, has also led to results which are positive for the entire world.

During the last few months, weeks, and days, we, the people in the West, have been just as confused and disoriented as the citizens of the former USSR; sometimes even more. We have been raised and taught to live in a functional correlation with the "others" (that is, you!), most often defined as "enemies" or "adversaries." When this "other" ceased to exist, we lost the correlation, the reference point even in discussions on appraising ourselves. In this situation, Mr. Editor in Chief, do believe me that many of us are truly frightened by the prospect that from now on the universal interests of the nations on earth will be defined and administered by only one country—the United States.

The dialectic that Latin people—not to offend Hegel—are so fond of includes a thesis and an antithesis (the opposites). Life teaches us that this is the only way synthesis can emerge. Otherwise, as the Greeks believed, with only one component, without a counterbalance, everything coagulates and begins to decay. Who will be our antithesis from now on? And who will become an antithesis, needed to sustain life and momentum, for you?

If I had the opportunity to be heard, I would tell the Russian deputies not to spend precious time on innumerable big and small scandals, "disclosures" of the heritage left behind by any dictatorship. A certain relief is therapeutic after a lengthy stay in an oxygen-poor environment. But one should not get carried away by merely creating waves in the air. You should not forget that, in addition to solving immediate acute problems of your society and your economy, the entire world expects from you new life-producing, creative ideas needed to

create a true pluralism in forming a universal, worldwide democracy. These should be powerful thoughts and authoritative deeds.

It is your "fault," and it is thanks to you that we in Europe again feel ourselves not merely as state entities but as nations. But, I repeat, strong ideas and real goals, not just loud slogans, are needed. Then dialog and cooperation will become real, so that another dictatorship, even more terrifying than the one you have just gotten rid of, will not become the fate of the world.

I have never been a member of any political party—I hate them all. But I want to say that, without forgetting the price you had to pay, the money the CPSU gave to

the communists in the West—while of course helping Soviet hegemony—nevertheless accomplished a very important feat: It helped sustain liberation movements, trade unions, parties, and organizations which, thanks to this support, forced a world-scale phenomenon (whether it is called capitalism, imperialism, or something else) to change, to retreat, to give in, to acknowledge, and to accept some of those values which, despite everything, Marxism always had, while capitalism did not.

I am afraid that we are all suffering from, so to say, historical amnesia and are forgetting about the realities of the world.

Thank you for reading my reflections.

## Legal Basis of Commonwealth Processes Appraised

92UF0403A Moscow PRAVDA in Russian  
21 Dec 91 p 2

[Interview with Tamara Yevgenyevna Abovaya, doctor of juridical sciences, by V. Romanyuk, correspondent: "A Union After the Union? How To Strengthen the Disrupted Economic Ties"]

[Text] Along with the extremely important agreement on forming the Commonwealth of Independent States, Minsk also witnessed the signing of a declaration by the republic-level governments on coordinating economic policy. Our correspondent met with the deputy sector chief of the Institute of State and Law under the Russian Academy of Sciences, Doctor of Juridical Sciences T. Abovaya, and he requested her to provide us with a legalistic appraisal of the processes which have evolved within the framework of the Commonwealth of Independent States.

[Abovaya] In appraising the situation as a whole, one may state the following: Overall economic space, i.e.—room to maneuver—does exist within the Commonwealth of Independent States, but legal "space" has not yet been created. State ownership of property in industry and other spheres is still dominant, and the restoration of economic ties which we observe is a good thing in and by itself. The economic ties which we inherited from the command-administrative system cannot be ignored while they are still functioning on a de facto basis. Constructed on the principles of specialization and cooperation, these ties are of a non-market nature, but—I repeat—they cannot be done away with at one fell swoop. To do so would mean cutting some vital arteries.

[Romanyuk] But they should not be preserved further on down the line?

[Abovaya] Of course not. The Commonwealth of Independent States has created the prerequisites for restructuring these ties based on market principles. In analyzing the package of legislative acts dealing with the entrepreneurial activity of the three republics involved here, one may note many unified approaches and principles, although there are also differences. For example, the Russian legislation cites or provides the features of an entire series of economic-legal forms—joint-stock corporations, companies, or partnerships—which are not listed in the legislation of the other republics. We must bring the legislation of the Commonwealth's republics in line and as close as possible by working out unified, integrated, legal norms. Not in the sense that everyone must have the very same hairdo or use the same comb, but rather in order to facilitate the use of one republic's legislation on the territory of another.

On the other hand, the Russian Law on enterprises and entrepreneurial activity does not cite such organizational-legal forms as cooperatives, lease-type collectives, nor small enterprises. To be sure, this Law does treat

property ownership. But we have given the trump-card to local bureaucrats here. You see—they say to the cooperative members—you are not even mentioned here! As a result, just during the last six months the number of cooperatives in Russia has declined from 250,000 to 200,000; they have either been liquidated or transformed into companies. In that sense, the Ukrainian legislation has opened up a broader scope, since it permits the following entities, in particular: individual enterprises based on family ownership, private enterprises with the right to hire employees, collective enterprises, including those in which public or religious organizations may participate. The same thing is true of the Belorussian legislation. Belorus's Law on entrepreneurial activity contains references to the Law on property ownership (the analogous Russian Law does not provide such references).

[Romanyuk] And so the members of the Commonwealth of Independent States need to have a kind of welding or splicing together in their legislation. Is that what you are saying?

[Abovaya] Each sovereign state, naturally, has its own legislation. At the same time, nevertheless, legal regulation is exceptionally important for the economic relations of independent states. This is a matter of applying the law. If, let's say, the Dnepropetrovsk Metallurgical Plant has entered into economic relations with the Moscow ZIL, the following question arises: On the basis of what legislation should their relations be built? If it is to be a republic-level legislation, then which republic? All-too-often there are no republic-level acts—there is only the Union-level legislation.

[Romanyuk] However, the Union no longer exists....

[Abovaya] But the Union-level legislation still remains. Moreover, with regard to many problems there is no other legislation. For example, the Union-level statute on deliveries and supplies. Many republics, while they have made declarations concerning the preservation and safeguarding of their own sovereignty, at the same time permit the operation of the Union-level legislation on their own territory, so long as such legislation is not in conflict with the republic-level legislation. In the Russian Parliament B. Yeltsin was asked the following question: Based on what legislation will military service personnel be provided for? The President of Russia did not reply because, after all, the answer is as follows: Russia has recognized the Union-level legislation in that portion wherein it does not come into conflict with the republic-level legislation. From a legal point of view, the Union-level legislation has been included in or merged with the republic-level legislation. In world practice this is termed incorporation or restatement and is widely used.

[Romanyuk] But aren't these issues really being removed by direct contractual agreements between the enterprises involved?

[Abovaya] An economic-management dispute could arise. How is it to be resolved? If it concerns a railroad,

then there is nothing but the Union-level charter, rules, and regulations to go by; whereas in merchant shipping practice—there is the Union-level legal code.

[Romanyuk] Can we be guided by world practice?

[Abovaya] Within the EEC [European Economic Community] framework such problems are resolved simply: It is written and recorded, for example, that with regard to this or that country such and such a article of the adopted agreement does not apply. And that's all there is to it! Why shouldn't we too proceed in the same way when we accept new members in the Commonwealth of Independent States? Then there would be no need to have recourse to tricks or subterfuges. What we are talking about are the "editorial corrections," which are then included in certain "appendices" or "attachments."

[Romanyuk] But just what did the entrepreneurs obtain from the Minsk understandings?

[Abovaya] A great deal. If we are really to solve the problem of removing the customs barriers, as was declared in Minsk, and the ruble is to remain as the unit of currency—if only for inter-republic accounts, if retained as promised, the previously achieved understandings on reciprocal deliveries of food, this would mean an enormous step forward for the development of entrepreneurship. Of course, the introduction of coupons, bonds, and lists of items whose export is prohibited restricts the market sphere of the economy. But this can be overcome as soon as there are fundamental understandings and intentions to form a unified and integrated economic space.

The Minsk understandings will extricate us from a stalemate type of situation. And if we now proceed to work out a step-by-step, unified, legal basis or legislative foundation for the economic activity of the Commonwealth, especially via a series of inter-state agreements, there is a chance that we can make the transition to a new, qualitative status or condition. We would be able to extract many, many useful things from the experience of the EES. Within the latter's framework a multiplicity of standardized legislative acts have already been adopted. Taking these into account is now transforming the national legislations of the member-countries belonging to the European Community.

### **Conditions for Recognition of Yugoslav, Soviet Republics Outlined**

92UF0389A Moscow IZVESTIYA in Russian 19 Dec 91  
p 3

[Article by IZVESTIYA correspondent Ye. Vostrukhov: "Yugoslavia: Applications for Independence Accepted"]

[Text] Each republic of the former Yugoslav Federation can obtain diplomatic recognition if it wishes to do so and fulfills all conditions set by countries of the European Community at a session of the ministers of foreign affairs in Brussels.

Conditions for recognition, which, by the way, pertain not only to republics of former Yugoslavia, but also republics of the former USSR, contain five points and stipulate a "gentleman's minimum" observance of democracy and human rights, protection of minority rights, recognition of borders, and resolution of disputes exclusively by peaceful means with the aid of negotiations. A deadline of 23 December of this year was established for Yugoslav republics to submit applications and the EC will make its decision concerning each of them on 15 January of next year.

Thus the persistence of Slovenia and Croatia, which for many months have stubbornly and consistently striven for the desired recognition, culminated in success. As announced by Lord Carrington, chairman of the Hague peace conference on Yugoslavia, Croatia must still make an important concession by granting the 600,000 strong Serbian minority more rights than stipulated by its present constitution. This is reported by the Reuters Agency. Germany, as is known, declared categorically that it will recognize Croatia and Slovenia even before Christmas. The USA, the UN Secretary General Perez de Cuellar, and the UN Security Council expressed themselves rather strongly against "too rapid" a recognition which could undermine UN peacemaking efforts. Therefore the EC ministers adopted a compromise decision which seemingly accommodates the USA as well: recognition will not occur before Christmas, but three weeks after. Former Soviet union republics, for instance Ukraine, can, if they wish, also receive recognition of their independence by the European Community. The universal conditions are similar for all.

As reported by the Tanjug Agency from Bonn, Chancellor H. Kohl evaluated the Brussels decision "as a major success of German and European policy." He said that the FRG government is prepared to recognize other states as well which will comply with EC conditions. The chancellor called the adopted decisions "a clear signal to the Serbian and army leadership in Belgrade to end the senseless bloodshed" and "clear the way for UN forces in support of peace." According to H.-D. Genscher, if Serbia does not express the desire to obtain recognition prior to 23 December, this would not mean that it will not have such an opportunity later. The FRG Minister of Foreign Affairs is assuming that Serbia also wants to cooperate with the European Community.

How were the Brussels documents received in Yugoslavia itself? "I feel certain that after such decisions some in Yugoslavia will criticize us sharply, while others, on the contrary, will applaud us"—stated van den Broek, chairman of the EC Council of Ministers at a press conference.

Most of the Belgrade newspapers reported in detail on the documents adopted in Brussels. "Politika" and "Borba" published them in full. The initial commentaries in the Serbian press, as a rule, are negative. Their

point: there are people living in Yugoslavia who would like to stay in a unified state, the EC decision precludes such a possibility.

Deputies of the Serbian Skupshchina discussed the Brussels declaration on Yugoslavia on 17 December. It was discussed at a session of the "reduced" Presidium of the Socialist Federated Republic of Yugoslavia, whose members, representatives of Serbia, Montenegro, and autonomous regions of Serbia, expressed themselves in favor of preservation of Yugoslavia as a subject of international law. All questions concerning existence of the Socialist Federated Republic of Yugoslavia must be resolved by its people in accordance with the country's constitution. Members of the presidium expressed themselves in favor of the continuation of work by the peace conference in Hague and support for the initiatives of the United Nations Organization, including the one pertaining to dispatch of "blue helmets" to Yugoslavia. In connection with the forthcoming arrival of a group of UN observers, and later, possibly, of the armed forces of that organization, it was decided to form a state committee for cooperation with UN representatives.

There is another piece of news from Belgrade: the President of Serbia Miloshevic proposed Radoman Bozhovich, a 38 year old professor of economics from Voyevodina, who heads the government of this autonomous region which is at the center of the Serbian-Croatian conflict, to the post of prime minister of the republic.

#### **Secret Documents of 1968 Invasion Handed to Czechs**

92UF0330A Moscow PRAVDA in Russian 4 Dec 91 p 5

[PRAVDA correspondent A. Krushinskiy report: "We Show Our Hand"]

[Text] Prague, 3 December—An unusual ceremony has been held in a room of the Soviet Embassy in the CSFR: the handing over to Czechoslovak historians of secret material of the former USSR Foreign Ministry concerning the preparation and organization of the August action of 1968—the invasion of Czechoslovakia by the forces of five Warsaw Pact countries.

In the presence of J. Miklosko, deputy chairman of the CSFR Federation Assembly, and a number of prominent figures of the 1968 "Prague Spring," Soviet Ambassador A. Lebedev handed Professor V. Menzel, chairman of the CSFR government commission investigating the events of 1967-1970, a bulky file containing over 50 coded cables stamped "Secret" and "Top Secret." Noting the importance of this action, the ambassador expressed, in particular, the opinion that a reason for the reluctance of some of our politicians to hand this material over to the Czechoslovak side was a desire not to harm specific individuals—Czechoslovak politicians who had formerly been actively involved in political life.

The meeting was held in a warm atmosphere, but one was still somewhat uneasy: What if this action were to play the part of yet another "bundle of firewood" in the smoldering bonfire of ill will toward our country. After all, the Central Group of Forces has, it might have seemed, long been withdrawn from the CSFR, and it is as though some of my local journalist colleagues are thinking only of something else with which to reproach and abuse the "occupiers." An empty pedestal sticks out like a sore thumb in Smichovsky Square, and deputies who, in breach of the law, availing themselves of their parliamentary immunity, desecrated the Soviet tank memorial which stood on it, are continuing, as though nothing had happened, to hold forth from the rostrum of the Federal Assembly and at mass meetings. In short, there are in today's Czechoslovakia forces which, to judge by everything, are hoping to achieve the cherished goal—a "return to Europe"—by way of a widening and deepening of the gulf separating Czechoslovakia from our country. As is well known, Western countries, incidentally, are in no hurry to part so promptly even with secrets of less importance.

It remains to be hoped that the words of Professor Menzel who, receiving the documents, declared: "When there is mutual understanding between historians, politicians understand one another also, and if mutual understanding between politicians is achieved, peoples understand each other," come true. The professor promised not to remain in our debt—to share with his Soviet colleagues a number of interesting documents.

#### **Dubcek's Historical, Present Political Role Lauded**

92UF0324A Moscow PRAVDA in Russian 3 Dec 91 p 5

[Article by PRAVDA Correspondent A. Krushinskiy, Prague, under the rubric "Aleksandr Dubcek's Political Portrait: 'Columbus' Second Route"]

[Text] "Politics must be in the spirit of Columbus"—Aleksandr Dubcek stated that once in one of his public speeches. Journalists willingly picked up on the effective image without catching its internal vulnerability. The great navigator, strictly speaking, did not bring his caravel Santa Maria nearly to where he intended; he was searching for India but he discovered America. But it is in this key that certain Czech memoir writers and politicians now look at Dubcek—they say, he searched for socialism with a "human face"... and arrived at antediluvian capitalism.

"Dubcek is a tragic figure in his own way. He is a man, in whose hands everything turned out the wrong way," I read in the memoirs of M. Shtepan, former CPCZ [Czech Communist Party] Prague Gorkom secretary and Central Committee Presidium member. "The craving for the 'human face' of socialism brought with it the invasion of Warsaw Treaty Organization troops and the purge of 1970. In other words, Dubcek, having attained the opposite of what he wanted, has once again turned up

on the political scene 20 years later as the proposed guarantor of socially just development. History is repeating itself. The pressure of the opposition that came to power brought the development of society to a standstill. We will most likely be transformed into an appendage of the Austrian or German economies, the suppliers of a cheap highly-skilled work force, into a protectorate without a protector. Aleksandr Dubcek obviously did not want this. Everything that I know about his past contradicts this."

Are the criticism from the left and the incomparably harsher attacks from the right, which I will discuss below, just? Before I seek an answer to these questions, I will remind the readers about the most vital facts from Dubcek's past. Dubcek recently celebrated his 70th birthday.

He was born on November 27, 1921 in the Slovak village of Ugrovtzy. He spent his youth in Kyrgyz at a commune of Czech and Slovak internationalists. He returned to his homeland in 1938, a harsh year for his country, on the eve of its enslavement by Fascist Germany. He participated in the Slovakian national uprising. His political career began soon after liberation, during the course of which Dubcek passed through all levels of the Party hierarchy which his opponents from the right-wing parties currently charge him with: he held the posts of raykom secretary in Trencin, obkom secretary at Banska-Bystrica and Bratislava, secretary and first secretary of the Slovakian Communist Party Central Committee.

The beginning of the Prague Spring, the short period of the construction of "socialism with a human face" that ended in August and that was not without errors and miscalculations, dates from the moment of his selection as Czechoslovak Communist Party Central Committee First Secretary in January 1968. Dubcek still continued to head the highest Party organ for some time, right up until April 1969, and his signature was on the Moscow Protocol on the temporary presence of Soviet troops in Czechoslovakia, another thing that they currently accuse him of.

The April 1969 CPCZ Central Committee Plenum when Gustav Husak took over the leadership in the party became a turning point in Dubcek's fate. It was as if his career followed an inclined plane: he spent some time in the post of chairman of the Federal Assembly, then they sent him away to be ambassador to Turkey (I think not without the secret hope that he would flee and thereby also compromise his own "face"). However, Dubcek preferred the delights of emigre life to the bitter bread of his homeland: upon his return from Turkey, he became a rank and file worker in the timber industry, whose life, along with everything else, was complicated by the obtrusive attention of state security (there was an agent with a two-way radio at the doors of his home, constant surveillance of his sons, and agents accompanied his wife even when she went out to get milk). It would have seemed that his star had irretrievably set.

But 1989 arrived. Having found myself on a short trip to Prague, I walked among the throngs of people in Vatslava Square, along both sides of which placards and signs were glued to the walls which demanded: "Havel—for Grad" (that is, for President). But we also came across these: "We want pluralism but not totalitarianism and that is why we want Dubcek!", "Czechs and Slovaks, be united! And they were united when they went for Dubcek. Let us not betray! Dubcek—unity!", "Dubcek—for President!" It was then obvious to everyone that if Dubcek agreed to be nominated, Havel would not have become President.

I remember well that press conference at Civic Forum headquarters—Havel representatives reported that their leader "does not see himself in the role of president if Dubcek is not side by side with him." A statement arrived from Bratislava almost simultaneously: Dubcek withdrew his candidacy. And some time later, when I was already in Moscow, I learned: Havel had been elected president and Dubcek—chairman of the Federal Assembly.

Thus, Dubcek's star was once again in the lower part of the sky near the horizon but not at its previous point. But not without his obvious concession. Here it would be worthwhile to direct our readers' attention to: charges of excessive spinelessness and complaisance, and that he, they say, is "too kind" for politics are often directed at this politician. And in an interview with him, RUDE PRAVO newspaper correspondents persistently probed this Achilles heel.

[RUDE PRAVO] They reproach you for being too gentle a politician, because you are sooner guided by feelings, and because you have repeatedly resorted to compromises.

[Dubcek] I cannot be any different. I never strived to attain my goals using force. I need to attempt to convince, although this takes more time than if you act from a position of strength... You will attain more using a kind word, a program, and a cause, than if you use a fist. In short, I believe more in man's good qualities than in his evil qualities.

The question that was stated above, however, was prepared by the reporters only as a peculiar preparation for another—extremely sharp question that troubles many of today's politicians and simple people.

[RUDE PRAVO] From some questions that were heard at the meeting between journalists and representatives of the Prague Spring, we sensed this sharp "thorn": why did you sign the so-called Moscow Protocol? We even heard words about "treason"....

[Dubcek] When union troops invaded us to interrupt the renewal process, they exceeded all notions in their strike power. Really this armada would have been enough for half of Europe! No matter how the armchair strategists reproach me, I have stated and I state: during the search for a compromise, I was guided by the aspiration to

prevent bloodshed. An army that receives the order to occupy a country and to change the policy in it cannot stop without fulfilling its missions... Even today I consider it to be unacceptable to manifest heroism to the world without hope for success and at the cost of thousands of human lives... It is easy to decide how to dispose of one's own life, but it is more difficult to resolve the issue of the life and death of others. Believe me, there would have been tens of thousands of people drowned in blood. Today I am more convinced than at that time: We could have only won a moral victory. The armed rebuff for which many call for today would have been an adventure and suicide.

Alas, this fear of a spineless "adherent of compromises" was later repeatedly made a reality. And in our time, a true sabbath of irresponsible political appeals and decisions on the verge of adventurism and suicide are present. To become convinced of this, remember the reports from the "hot spots—from Lebanon and Yugoslavia and, in our country, from the Caucasus. Oh, the Israelis and Arabs, the Croats and Serbs, the Azeris and Armenians do not have enough politicians of the Aleksandr Dubcek-type who think not about personal ambitions but about the people and who know how to calculate three to four years ahead. Today, Czechoslovakia is free of foreign troops and both his fellow countrymen and the Soviet people, whose hands were almost sullied with the blood of innocents, should be grateful to Dubcek for the compromise.

Christopher Columbus did not find India but today who will reproach him for raising the sails of his caravels, allegedly in vain? I certainly do not intend to compare the Aleksandr Dubcek matter with the discovery of America but he deservedly belongs among the politicians with the spirit of Columbus. Here is a very simple example. We have become accustomed to thinking that the birth of the postulate on the priority of human values before the principles of the class struggle is involved with Soviet perestroika and only with it (incidentally, this conclusion suggested itself after the Chernobyl catastrophe). But actually a long time ago, at the 1967 CPCZ Central Committee Plenum, Dubcek proclaimed: "A coming together of classes and social groups is required instead of the class struggle." And if today expressions of the type "human dimension" and "human factor" (already not talking about the "human values" mentioned above) appear in an international-political dictionary, did this all not come about from Dubcek's "socialism with a human face"?

Besides Columbus, as we all know, there were other navigators whom fortune did not favor as much but they also deserve our respect. However, today while speaking about the Prague Spring, I would not begin to assert that it sustained a 100 percent failure. Even with the fact that many leaders of the current ruling coalition in the CSFR [Czech and Slovak Federal Republic] are allergic not only to socialism but to the word "social," however, I am ready to argue with M. Shtepan with regard to the fact that his vision of Dubcek is totally divorced from reality.

Already in 1968, his "team" did not have any doubt that they needed to introduce market principles. And they were consistently and persistently introduced (with just this difference that currently the level of production during the last year declined by nearly one-third and at that time in little over six months... it increased by seven percent). At that time directive planning had already been eliminated, enterprises had acquired independence, and their collectives had acquired their share of the profits. And another very important circumstance—the most visible figures among today's Czechoslovak politicians who speak from humanitarian and from truly democratic positions—are, as a rule, "Dubcekites" and people of the Prague Spring. All of them lived through the unforgettable spiritual uplift in 1968, the shock in 1969, and the purges during the subsequent "normalization" period but, is it not strange that they do not now burn with a thirst for revenge. Hatred, and a peculiar revanchism proceed, as a rule, from those who took advantage of all of the benefits during "normalization." And another very important fact: the "normalizers" expelled Dubcek from the ranks of the CPCZ and he does not now intend to return to it, however the thought of its ban or removal from the country's political life is alien to him.

So, just what is the conclusion? Is Dubcek—a carrier of compromise and appeasement? I would not say that. In those cases when the risk affects only him and his chairman's chair, he has repeatedly demonstrated firmness and principle. A recent example of that—is the refusal to sign the law on lyustratsii [not found], that is, a sort of ban on professions for former CSSR [Czech Socialist Republic] state security agents and informers. This law, as PRAVDA has already written, was adopted thanks to the preponderance of right wing forces in parliament, but the signature of the chairman of the highest legislative organ is not on it. The law nevertheless came into force but in his refusal to attach his own autograph to it, Dubcek demonstrated his high sense of civic spirit to the country and to the world: he cannot, even at the risk of his own chair, sign a document that contradicts human rights principles! (By the way, a little over 20 years ago, Dubcek was deprived of the post of chairman of the Federal Assembly for his "obstinacy"—he refused to promote the repeal of a parliamentary resolution that condemned the August action of the Warsaw Treaty Organization troops).

This current demonstration, which has caused the anger of all of the right wing parties without exception right up to demands for his resignation, has not been carried out by Dubcek for the first time. His sharp reaction to the desecration of the Smichov Tank—the memorial to Soviet troops and then his apology to the Soviet side, his repeated statements in favor of a "third path" and in defense of the social rights of the workers have caused no fewer censures from the right wingers. If there was not a politician of the Dubcek type right now in Czechoslovakia—the sharp turn to the right and the threat of the disintegration of the confederation would be much sharper and more perceptible.

In conclusion, I will cite one more of Dubcek's statements from the previously mentioned interview in RUDE PRAVO. To the journalists' question about today's attitude toward socialism and capitalism—"Has either of them won?"—he specifically said:

[Dubcek] I think neither of them has won in those oppositely honed concepts as we applied them. What we are witnessing in the developed countries is not capitalism in its initial form. Capitalism has survived not only immeasurable social upheavals but also bloody clashes. Not only militaristic Stalinism existed with which a struggle has been conducted and is being conducted, but capitalistic fascism also existed which seized Germany, Italy, Spain, and Japan—nearly half the world. I permit myself to assert that a certain revolutionary process of rapprochement is occurring even now in which the class struggle, forcible seizure of power, and dictatorship are fading into the past.

At one time, our press gave Aleksandr Dubcek and his comrades the unfair label of "politics with a dual face." His outlook and political and moral principles have passed the test of time. I think that today the definition of "politics with a contemporary face" suits him quite well.

#### **Ukrainian-Slovak Agricultural Cooperation**

92UF0269A Kiev DEMOKRATYCHNA UKRAYINA  
in Ukrainian 12 Oct 91 p 2

[Article by DEMOKRATYCHNA UKRAYINA correspondent: "With Slovak Technology"]

[Text] There are now a number of little "islands" on the Ukraine's agrarian map where foreign technology for

producing and processing farm goods is operating successfully. In particular there are a couple of dozen Ukrainian-American joint enterprises, involving Dow Chemical and Monsanto for example. Cooperation with BASF and Bayer (FRG), ICI (Great Britain), and Ciba-Geygi (Switzerland) has also gone on for several years. Now it looks like another joint business deal is about to occur.

A few days ago H. F. Mohyla, the head of the Kirovograd Oblast Agriculture Administration, signed a protocol with specialists of the Slovak Progress Agricultural Cooperative on creating a joint Ukrainian-Slovak enterprise to raise grain and silage corn using Slovak technology on 50,000 hectares.

"We didn't come here to teach our Ukrainian colleagues," Engineer Emil Sedlak emphasized, "but to cooperate with them on boosting crop yields. On the basis of advanced technology we will guarantee our Kirovograd partners grain corn yields that are 15 percent higher than average yields for each farm over the past three years. We will supply high-yield hybrid corn seed which produces 80 to 100 quintals of grain corn per hectare under our conditions, also herbicides to treat the crop and, when necessary, the appropriate equipment."

While talking with engineers Emil Sedlak and Petro Ondreyichko, we told them that the well known American firm Pioneer is successfully raising corn in the Ukraine. Are they afraid of competition?

Here's what they said:

"We know that Pioneer is raising corn in the Ukraine. But we're not afraid of competition, because our technology is as good as the American. We will do high-quality work for the people of Kirovograd, but on more favorable terms."

**Reflections on Cuban Revolution Anniversary***92UF0422B Moscow PRAVDA in Russian 2 Jan 92 p 4*

[Article by P. Bogomolov: "Complicity"]

[Text] Various historical dates are very, very different. There are festively triumphant ones and restrained and solemn ones even though, at the same time, filled with grave concerns. The 33rd anniversary of the victory of the revolution of 1959 is probably like that—bright but burdened with adversity as it arrives in Cuba.

I recall how in the tropical forests a long way from Havana, the peasant-guajiro told me with provincial innocence:

"We, for example, also celebrate Seventh of November as a national holiday as you do. But you also celebrate the first of January at home."

Today we have a different calendar of state holidays and the October date is observed not at all as previously. At any rate, far more modestly than in Cuba. As far as the first of January is concerned, I still jokingly tell the Cubans as before:

"Go into any home on that day and you will immediately notice the festive tables."

Jokes are jokes, however, but the Cuban revolution, which was given very small chances of surviving in the early years in some of the capitals, is entering the age of maturity. The age of Jesus Christ, if one recalls the recent resolution of the Communist Party of Cuba to expand the ranks of the party itself and organs of power through mass recruitment of believers.

But if, let us say, the Scripture speaks of multitudes fed with a single loaf of bread, in the real conditions of today's Cuba, however, which lost many of its former allies and partners, it has to obtain from somewhere millions of tons of flour along with millions of tons of oil, fertilizers, and steel structures. Is it not perhaps for that reason that PRAVDA editorial office receives from all parts of Russia, and not only from there, sad letters whose writers suddenly felt the heartache of guilt for the current curtailment in Soviet-Cuban relations?

Yes, we are probably guilty in some way before Cuba particularly since for years we promulgated on its "long range construction projects" and poorly worked fields our faulty methods of resolving problems. Cuba, however, which now owes us billions, does not appear irreproachable either. But, after all, is that what one thinks about on the eve of the next anniversary of a truly popular, really original revolution that defended itself more than once, without which the historical fate of all Latin America would have been completely different?

One thinks about something else—about one's complicity in the life and struggle of a distant Caribbean island, where, alas, the stores are almost empty, but where public health and education are among the best on

the continent. One thinks about the fact that friends in any case deserve our congratulations, even if not everything is going well in their home.

So let us wish our friends not only strength and courage, but also success in the modernization of their island, in the search for new, original approaches to their problems, and the gradual transformation of the "besieged fortress" into a successful and dynamic country with confidence in its own strength.

**Impact of Reduced Soviet Supplies to Cuba Viewed***92UF0422 Moscow KOMSOMOLSKAYA PRAVDA in Russian 26 Dec 91 p 3*

[Article by A. Golubov: "Fidel Is Not Leaving But He Is Already Turning Off the Lights"]

[Text] Cuban leadership gave the people a Christmas gift. For the purpose of "saving the homeland, the revolution, and socialism" the authorities announced introduction of new restrictions pertaining mainly to the consumption of fuel and electric power.

A document published in the newspaper GRANMA states that—"Because of a regular shortfall in deliveries of petroleum and other goods from the USSR the following measures of economy and restriction are introduced within the country: the monthly allotment of gasoline for official and private use is decreased by 30 percent, taxis are discontinuing routine passenger transportation and shifting exclusively to the servicing of hospitals and funerals."

From now on each of the 14 island provinces will receive a daily quota for the consumption of a certain amount of electric power and in cases of overconsumption will have to conserve an amount equivalent to such overconsumption of electric power the following day by any means. Television broadcasting is cut back to five hours on weekdays, nine hours on Saturdays, and fourteen hours on Sundays. The use of air conditioners is almost completely eliminated in various establishments during public and other events. The illumination of streets and squares during hours of darkness is sharply "rationalized."

The number of work shifts is being decreased at numerous large and medium enterprises, and the freed personnel are used in "voluntary/compulsory" agricultural labor.

The announcement expresses the hope that—"Support, understanding, and conscientious fulfillment of adopted measures for the conservation of resources by the populace will make it possible for the country's leadership to cope with the situation that was created."

But have the rank and file Cubans any strength left for "support" and "understanding"?

The already miserly norms for the supply of the population with basic foodstuffs are not being met. If it were not for relatives in the countryside, who, by the way, are also experiencing the need for everything as well, many of the city dwellers would have perished a long time ago. One cannot eat one's fill having only 80 grams of bread a day and the tiniest piece of meat, in the best case, once in one or two weeks. With such rations it is hardly possible that the Cubans will have enough energy for peddling. That will be necessary, however, since 1.25 liters of gasoline a day will not take you very far, and with buses the situation has now become very tough.

As they say, however, this is just the beginning. In the announcement of the Cuban government it is pointed out that with a decrease in deliveries from the USSR all the indicated measures will be accelerated and made more rigid. This at a time when, as reported by Reuters with reference to a highly placed source in the Cuban government, just the announced measures will lead to elimination of 500,000 jobs, which is substantial considering the country's able-bodied population of 5-6 million.

As far as the prospects are concerned for Soviet deliveries to Cuba, they are vague. The recent visit to Moscow by the Cuban Minister of Foreign Trade Ricardo Cabrisas Ruiz, indicated that in the best case the country can count on 4.5 million tons of Soviet (read - Russian) petroleum. This comprises half of the country's normal "living wage" for energy. Cuba will have to negotiate individually with each republic concerning deliveries of a great majority of goods and products.

In the situation that developed the Cuban government can count only on the power of its propaganda machine. The traditional government appeal for "support, understanding and conscientious fulfillment of measures" by the population today is almost the only lever in the hands of Cuban authorities. The events of recent months in Cuba, however, even though they are scattered, showing manifestations of protest, particularly among active youth, along with activation of the dissident movement, are placing the effectiveness of such a lever in question.

Report by Russian Information Agency. In 1991 Soviet aid to Cuba amounted to 2.1 billion dollars. This was reported by Ruslan Khasbulatov, president of the Russian Parliament. According to him, however, data from various sources, including the KGB and a number of scientific institutes, cannot be regarded as final, since aid to Cuba was given not only through official channels. R. Khasbulatov expressed himself in favor of a parliamentary hearing on this question.

In 1992 Russia will purchase around 2.5 million tons of unrefined sugar from Cuba. The sugar will be paid for at world prices. Russia, in turn, will deliver to Cuba about 4.5 million tons of petroleum, that is for every ton of sugar Russia will give 1.8 tons of petroleum. Formerly a

ton of sugar used to cost 4-8 tons of petroleum. Russia, as before, will continue to depend almost entirely on deliveries of Cuban sugar.

### Volume of Trade With Brazil Declines

92SM0182A Sao Paulo GAZETA MERCANTIL  
in Portuguese 10 Dec 91 p 6

[Article by Livia Ferrari: "Soviet Difficulties Affect Volume of Trade"]

[Text] Rio—The political and economic difficulties confronting the Soviet Union (USSR) are being directly reflected in the volume of trade with Brazil. According to statistics from the Foreign Trade Department (Decex), in the first 10 months of this year Brazilian sales to the Soviet market totaled \$82.2 million FOB [free on board], representing a significant drop of 55.03 percent from the figure for the same period in 1990.

In the single month of last October this decline was even more critical—down 80.3 percent from the figure for October 1990—with the export of only \$480,000 in merchandise, due precisely to the Soviets' shortage of foreign exchange in hard currency to pay for their purchases. The sharpest declines in the export of the principal agricultural products that Brazil sells to the USSR were recorded in soluble coffee, with sales for the period January-October of this year totaling only \$11 million compared to \$35 million for the corresponding period of last year. In the same period of this year, Brazilian sales of cocoa beans declined to \$9 million from the figure of \$16.5 million recorded for the first 10 months of last year, and exports of crude soybean oil shrank to \$1.2 million from the \$14.3 million shipped during the corresponding period of last year.

In addition to these declines, exports of some products such as frozen dressed frying chickens—which in 1990 were on the list of Brazilian exports to the Soviet market—were nil in 1991.

As for Brazilian imports of goods from the USSR, the most recent government statistics cover the period only through last June. They reveal, however, the efforts being made by the Soviet market to export, as an alternative for the generation of foreign exchange. In the period January-June of this year, sales of Soviet products to Brazil totaled \$40.5 million compared to \$14 million recorded in the corresponding period of 1990. This increase is largely attributable to the export of transportation equipment—such as jeeps and automobiles—which totaled \$19.2 million as of the end of June and were nonexistent in the corresponding period of last year.

### Objectives of Soviet-Latin American Relations Outlined

92UF0360A Moscow *LATINSKAYA AMERIKA* in Russian No 11, Nov 91 (signed to press 21 Oct 91) pp 3-8

[Article by V.D. Nikolayenko: "USSR-Latin America: Prospects for Interaction"]

[Text] We are approaching the pursuit of our strategic line in international affairs, including affairs in the Latin American region, from the standpoint of the processes of perestroika within our country. The USSR is sincerely interested in stable international cooperation, the creation of the kind of world order that would help to solve global and regional problems, and the consolidation of common security. With a view to all of this, we are basing our relations with Latin American states on consideration for mutual interests and mutual benefits and on the principles of freedom of choice, equality, and non-intervention.

Today it is already apparent that the political atmosphere on the planet has improved perceptibly and that we have reached a genuine turning point in its development. It appears that this is not simply a case of a move from confrontation to mutual understanding in East-West relations and in Soviet-American relations. Another extremely important feature is the fact that more and more states in the world, including Latin American states, are actively supporting the introduction of qualitatively new rules of interaction, democratization, and the humanization of international relations on the basis of respect for human rights. This approach coincides with our own ideas about the future of the world.

Soviet-Latin American relations have ceased to be a means of exerting pressure on the United States, and Latin America itself has ceased to be one of the arenas of Soviet-American confrontation. These relations are acquiring an autonomous character, backed up by the growing mutual interest in convergence and cooperation and by the growing recognition of the role of Latin America as a whole and of each of the countries of the region as a separate component in international affairs, a component of present and future importance.

In my opinion, the development of Soviet-Latin American relations is influenced today by the interaction of two main factors: the new thinking and the growing positive role of Latin America in world affairs. It is this objective "confluence" of conceptual approaches and concrete actions that is responsible for the coinciding or similar views of the Soviet Union and most of the Latin American countries on the main international and regional issues of present and future significance.

The Soviet Union maintains diplomatic relations with 21 states in Latin America and the Caribbean. Soviet embassies are accredited and are functioning in 16 countries of the region. The geographic expansion of our

diplomatic presence in this part of the world will continue, but this is certainly not an end in itself. Our relations with each of these countries must be imbued with constructive and sound content, which would also justify the expense of maintaining our diplomatic offices.

In view of the economic difficulties we and most of the Latin American countries are experiencing at this time, it is particularly important to develop political dialogue on global, regional, and bilateral issues and prepare the soil for effective economic cooperation on new terms.

The unconditional support of the freedom of people to choose their own course of development and of their desire for democracy, equality, and justice is an important element of our overall view of the social changes and sociopolitical processes that are taking place in the world and in Latin America.

In Latin America, we are adhering to this approach in the efforts to find a political solution to the conflict in Central America. Obviously, the Central Americans themselves, and the Latin Americans in general, have played the main role in the progress here to date. People in the Soviet Union believe that the epicenter of regional tension has moved to El Salvador. In view of this, the main focus of the settlement efforts, in our opinion, should be the planning of measures to put an end to the armed confrontation and establish reliable guarantees for the inclusion of the members of the rebel movement in the peace process in the country. We believe that this can be done if the two opposing sides give up their untenable ambitions and realize the need to agree to mutual concessions and reasonable compromises. We are striving to bring this point of view to the attention of the leadership of the Farabundo Marti National Liberation Front [FMLN] and the Government of El Salvador. Armed struggle is justified when all peaceful channels for national self-determination have been blocked, but when these opportunities do exist, we oppose bloodshed. The political resolution of conflicts is the only reasonable and effective alternative.

We also see real possibilities for the non-confrontational resolution of other conflicts in the region.

Another fact also warrants special consideration. We are impressed by the increasing awareness in various states in the world, particularly in Latin America, of the need for more active efforts to relieve the tension over Cuba and normalize American-Cuban relations. In today's interdependent world, all parties, including the United States, should be interested in taking such steps. Cuba's more active participation in the mechanisms of pan-American cooperation in the political, economic, and humanitarian spheres and others also seems promising to us.

The relaxation of existing and potential tension in Latin America and in the world as a whole is being fostered by the processes of demilitarization, the reinforcement of

the nuclear non-proliferation framework, and the measures for the non-proliferation of nuclear and other technologies and of weapons of mass destruction in general. A special role in this process must be played by the more technologically advanced countries, such as Argentina and Brazil, and we welcome the significant positive advances in their nuclear policies, the reinforcement of Latin America's non-nuclear status, and closer cooperation with the International Atomic Energy Agency [IAEA]. We actively support the initiatives of small and large countries in Latin America with regard to the creation of a zone of peace, democracy and development in Central America, peace and cooperation in the South Atlantic, and so forth.

There is no question that one of the most intriguing features of the present politico-diplomatic atmosphere in Latin America is the intensive development of integration processes. This is a positive move, and we feel that it is promoting the search for the best solutions to Latin America's acute economic, financial, trade, ecological, and other problems and the coordination of the foreign policies of these countries.

The evident reinforcement of the multilateral principle in the foreign policy and foreign economic activities of Latin American countries is naturally reflected in the diversity of our contacts with the region. This stems from the Soviet Union's increasing desire to develop mutually beneficial cooperation with different countries of the continent and with groups of these countries. A new and extremely important element of our relations with Latin America is the USSR's participation in the developing dialogue of the Central and East European countries with the states of the "Rio Group." Two conferences of foreign ministers have already been held in Budapest and New York. The next is to be held in Buenos Aires. We believe that the continued thorough exchange of ideas and proposals in this dialogue will lay a solid foundation for foreign policy and financial-economic interaction for progress in the resolution of major international issues.

Our efforts to arrange for mutually beneficial cooperation with the Organization of American States should be examined in this context. They are a logical result of the dynamically changing picture of the world and the growing positive potential of the OAS, as well as everything that has been achieved in recent years in our bilateral relations with OAS members. I am certain that the OAS has considerable ability to reinforce and supplement UN efforts to establish an effective regional and global security structure.

We also believe that regional integration should not be a means of dividing and isolating peoples. This is one of the main reasons we see the current interregional contacts as a connecting link between two continents—America and Europe. The upcoming quinqucentenary of the "Meeting of the Two Worlds" could provide additional stimuli for this convergence. Within the framework of this milestone, we hope to work with the

countries of the two Americas in the search for new horizons of cooperation in today's interdependent world.

In this context, it appears that the reinforcement of interregional channels of cooperation is another sphere in which the mutual involvement of the USSR and Latin America can be instrumental in laying a truly solid and effective foundation for global political and economic partnership.

In the sphere of international economic contacts, the USSR supports the move toward universal interaction and the improvement of international economic relations. The objective prerequisites for the organization of the useful exchange of experience in various spheres are coming into being.

In our efforts to develop contacts with the Latin American countries, we are proceeding from the belief that this region now occupies a special place of its own on the economic map of the world in terms of the level of its economic development and the maturity of its social relations. The profound political and economic reforms in the Latin American states, the processes of their integration, their rich intellectual and natural resources, and their unique and highly developed cultural potential attest to considerable possibilities and reserves that have not been used adequately to date for the expansion of the USSR's relations with Latin America.

The higher priority of these relations in USSR foreign policy is due to the many similarities in the processes of change in our countries, providing opportunities for the more active exchange of experience in political and economic reform. This kind of dialogue took place during Argentine President Carlos Menem's visit to the USSR and during other contacts.

The objective requirements of our own socioeconomic development and that of Latin America necessitate the more thorough consideration of the sound potential for trade and economic relations between the Soviet Union and the states of Latin America, especially since we could hardly be satisfied with the present state of affairs in this sphere. It is no secret, for example, that trade is lagging far behind the development of our political interaction. The USSR's share of the foreign trade of Latin American countries, not counting Cuba, is just over 1 percent; this trade consists mainly of raw materials. The promising form of cooperation represented by joint ventures is still being pursued too slowly.

It is true that the development of foreign economic ties entails great difficulties in the current phase of the profound reforms in the economies of the Soviet Union and many Latin American states. As the reforms progress, however, there will be real opportunities for broader relations in many new spheres. The experience Latin America has accumulated in the financial, service, and administrative spheres is of great interest to us, for example, because it could be used in the USSR during the current economic reform, our transition to market

relations, privatization and the development of private enterprise, the struggle against inflationary processes, the resolution of our trade and debt problems, and our contacts with the International Monetary Fund [IMF], International Bank for Reconstruction and Development [IBRD], and possibly the Inter-American Development Bank [IADB]. The Latin American countries' experience in cooperation with other groups of states, particularly the EEC, is also of great interest to us.

New opportunities for trade and economic interaction by the USSR and Latin America are taking shape in the Pacific basin. The USSR and the Latin American countries should begin building their relations with a view to the capabilities and requirements of the eastern regions of the USSR and the Pacific coast of the Latin American countries. The intensification of the socioeconomic development of Siberia and the Far East will present extensive opportunities in this context. It would probably be worthwhile to begin serious examinations of the experience of Latin American states, such as Mexico, for example, with a view to the possibility of creating special economic zones in the Far East where foreign technology and local resources would be used to produce commodities for markets in third countries. An analysis of the functioning of free trade zones in the region would be useful in this context.

There is also an obvious mutual interest in broader interaction with Latin American countries in such transnational spheres as ecology and the struggle against international terrorism, organized crime, and the traffic in illegal drugs. The legal basis for this kind of cooperation would certainly be reinforced by the appropriate bilateral agreements and the joint investigation of all of these matters in international and regional organizations. The change in our approach to the subject matter of human rights presents new possibilities for closer interaction in legal matters.

When we assess the USSR's relations with Latin American countries, we have every reason to conclude that new and interesting prospects are taking shape here. Experience assures us that Soviet-Latin American relations could rise to a new level in terms of volume and quality in the near future. Above all, we believe that if we

are seriously in favor of more active international relations based on the principles of the new thinking, increased participation by the Latin Americans in the resolution of today's global problems and broader interaction by us are absolutely essential.

A completely realistic platform for more intense and effective cooperation with the Latin American countries also exists in an important UN economic commission, the Economic Commission for Latin America and the Caribbean [ECLAC]. The Soviet Union is known to have been participating in the work of ECLAC as an observer since 1957 (7th session, La Paz, Bolivia). A Soviet delegation also attended the latest, 23d session of ECLAC in Caracas (Venezuela) last May, where the discussion included important topics related to the socioeconomic status of the countries of the region, the problem of reducing their foreign debts, and Latin America's participation in the planning of international development strategy. We noted that several delegates commented on the importance of the current changes in the USSR and the East European countries to the region and to world politics in general and discussed the implications of the more active integration of the Soviet Union into world economic ties.

I want to stress that we do not plan to conduct a strategy of "development on credit," and we will do everything within our power to mobilize internal resources while assigning a significant role to foreign economic factors. The credits the West extends to the Soviet Union on commercial terms of repayment cannot have any perceptible effect on the volumes of international capital markets and the overall level of international liquidity.

I hope that the meetings with leading ECLAC experts and other Latin American representatives will continue the considerate and constructive exchange of opinions regarding solutions to the problems on the agenda of the international community and in our relations with Latin America. I think this dialogue will be useful in general for the reinforcement of mutual understanding and mutual trust and that it must continue to be intensified and supplemented with concrete action for the good of the people of our countries.

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**Visit of Russian Parliamentarians to PRC**

92UM0284A Moscow IZVESTIYA in Russian  
27 Dec 91 p 7

[Report on interview with Vladimir Lukin, leader of a Russian parliamentary delegation to the PRC, by correspondent Yu. Savenkov; place and date not given: "We Are Not Starting From Scratch...": Russian Members of Parliament in China"]

[Text] Beijing—"We are not starting from scratch and intend continuing all that is good which has been germinated in the years of normalization of Soviet-Chinese relations" was how the results of the visit were evaluated by Vladimir Lukin, chairman of the International Affairs and Foreign Economic Relations Committee, who headed the Russian parliamentary delegation which had just been to China. This was the first trip of an official delegation of Russian members of parliament to China.

"Did you sense your hosts' disquiet?" I asked the head of the delegation. "After all, it is psychologically very difficult for them, supporters of strong central authority and a unitary state, to become accustomed to the idea of the disappearance of the Union. Note that they do not say 'former Union' here; they are sincerely hoping that everything will suddenly turn out all right."

"The Chinese have no interest, of course, in our country's lightning disintegration and tactfully hinted at this," V. Lukin replied. "Evaluating what is happening, they are looking in the mirror rather than through the window. We are neighbors and have repeatedly influenced one another within the memory of the generations. And they see a danger in the force of example. Sensitive Chinese are catching with concern the centrifugal trends in our country—after all, they also have had traditionally difficult 'center-provinces' relations. The second danger is the waves of democracy: Despite all the chaos, they are infectious and reminiscent of the movement in Tienanmen Square in the spring-summer period of 1989. They were guarded in conversation in their assessments (a traditionally Chinese trait) and spoke of noninterference, respect for the people's choice, and a readiness to build relations on the basis of peaceful coexistence with the center and the republics. They have already chosen, obviously, in favor of the independent republics. Not out of love, perhaps, but in accordance with circumstances."

"Nonetheless, here in Beijing there is a sense of some impairment of relations between Russia and China. Is not the Tienanmen Square complex to blame for this? Some people in Russia perceive the Chinese as conservatives. Following the August putsch, I asked my Chinese friends if they realized that real power was shifting to the republics and that Yeltsin had moved front stage in Russia, for example. But Jiang Zemin did not meet with him during his visit to Moscow. They replied: Movement should be bilateral."

"I am altogether opposed to an ideologized approach to a neighbor. How can we call conservatives those who

have accomplished one of the highest achievements in the history of mankind: a doubling of the wealth of a people more than 1 billion strong in 10 years! We, on the other hand, are, perhaps, progressive in our understanding of the need for political structures of a modern quality, but are we progressing in the creation of a normal life for people?

"The greatest zeal in the endeavor to make human rights an instrument of the instruction of the Chinese is being displayed, incidentally, by those who in former times were pontificating from the pulpits about the truths of dialectical and historical materialism or were meek dependable bureaucrats. Instead of condemning others, they would do better minding their own business. I am far from taking any delight in what happened in Tienanmen Square. This was a tragedy. But we should not be ideologizing our interstate relations. Our common fraternal ideology was not formerly manifested in anything good. But now some people want to impose on us a new ideologized plan: until you become a fellow believer, we will not be friends. There is the following formula: He who can, does, he who cannot, teaches. Let us create something and make our example attractive. And we will be friends with China."

"As far as the rate of our rapprochement is concerned, it is not wholly up to us. The decisionmaking process in China is slow."

"Vladimir Petrovich, I address you as chairman of the National Committee for Economic Cooperation in the Asia-Pacific Region. Eurocentrism is still, in my view, predominant in our policy. A. Sobchak recently postponed a trip to Shanghai. Had it been a European visit, the mayor would have been more punctilious, I believe...."

"We are a Eurasian country. But politically, a large part of the European space as yet. But if we are to think about the distant long term, Asia is in the material, economic and technical respect, and in the sense of security also, becoming a more important problem, for Russia, in any event. We should understand that in the 21st century China, Japan, and the American West will be our destiny. But we are intending to integrate with the world's most powerful states with our most backward wing. Nature abhors a vacuum. Could we survive in a structure of Asian-Pacific dependence—this is the question. Would we become an object of expansion (this is unacceptable nationally) or would we grow on the basis of mutual dependence, which could alone raise us up. No country can develop alone. Isolationism is a murderous theory, it would leave us in the Stone Age."

"But as yet, as far as I know, our attempts to become a member of the Asia-Pacific Economic Council (APEC) have ended in failure. Yet China, Taiwan, and Hong Kong became members of this organization at the last session."

"But why should we be invited to join the APEC? Until recently we had no private business, and this is an

essential condition for this organization. I believe that our National Committee for Economic Cooperation should begin by assisting the first shoots of our business. What we need are people who will not try to sell on the cheap several cubic meters of timber and obtain for this two cars and three tape recorders but who will count their money and sell at sensible prices. They should be members of a club of business people of the region, and it is our job to join this club, guaranteeing their dependability by our reputation.

"But meanwhile the Chinese have told me guardedly: Many of your businessmen do not inspire confidence. They come here, change something or other, make promises, conclude agreements, and disappear. How are they different from ordinary speculators?"

"Rather explain the paradox, Vladimir Petrovich: China can supply the whole of the Soviet Union with consumer goods, its surplus balance in trade with the United States indicates something, after all. Yet our organization turns to a company on Cyprus and there looks for suppliers in neighboring countries—it is costly. And then turns to China. We have come full circle. But why do transport and even military aircraft not ferry large consignments of Chinese commodities to Russia? Instead, young ladies bring Pekinese dogs here and sell them for 1,500 yuan on the market, and sacks with quilted winter coats go back the other way."

"How are things to be paid for? This is the question. We need first to extricate ourselves from the crisis. Russia is big, and there are some things to be found. Banning the shuttle flights is impossible, otherwise we would be returning to the old ways. But until new structures of cooperation operate, 'ladies with lap dogs' will be flying here. The Soviet-Chinese Economic Cooperation Commission has fallen apart. A Russian-Chinese commission should come to replace it. Another bureaucratic superstructure, you say? No, we will rely on the fledgling private business. The main thing is that we rid ourselves of the 'Shura Balaganov complex'—having a million, he was putting his hand in people's pockets for a three-ruble bill. And not engage in cheating, not breed declarations of intent and keep our word as businessmen."

### Quick Recognition by China Unlikely

92UN0485B Moscow IZVESTIYA in Russian 7 Dec 91  
Union Edition p 7

[Report by IZVESTIYA correspondent Yu. Savenkov: "Will China Recognize the Independence of Ukraine?"]

[Text] Beijing— "China will never interfere in the domestic affairs of other countries, but it respects the will of each people." This was the reaction of a PRC Foreign Ministry spokesman to the referendum recognizing the independence of Ukraine.

"Between the Chinese people and the Ukrainian people," the Foreign Ministry spokesman said, "there

has always a tradition of friendship. And we hope that these friendly relations will also be developed in the future."

Diplomatic circles in the Chinese capital believe that this reaction is fully in the spirit of Beijing's cautious, wait-and-see attitude toward what is happening on the territory of the former Union, which it has assumed since the dramatic August events in Moscow. No commentary, just the facts. But an article in the newspaper RENMIN RIBAO, the organ of the Chinese Communist Party Central Committee, nevertheless does offer some explanation.

A commentator obliquely lets it to be understood that China is somewhat perplexed by the great speed in the American position vis-a-vis the Ukraine. It is also obvious that China, as a member of the nuclear club whose nuclear weapons were designed to contain both the United States and the Union, will carefully track how events unfold in this sphere. The commentator also hints that everything is not lost and that there is a chance that the Ukraine will be part of a confederation if the conditions of this kind of political formation meet its vital interests. China's decisive position in favor of a single Union space is well known. In fact, in July when Jiang Zemin, general secretary of the Chinese Communist Party Central Committee, received N. Nazarbayev in Beijing, he spoke with approval of his support for the unity of the Union and national consensus.

It is believed here that China will be in no hurry to recognize an independent Ukraine and will carefully follow the development of events, taking into account the viewpoints of the center, Ukraine, Russia, the United States, and other leading countries.

At the briefing a spokesman for the Chinese Foreign Ministry was asked this: "How do you assess Taiwan's active desire to establish diplomatic relations with Ukraine?" After recalling Beijing's unchanged position, he answered that a country could not have simultaneous diplomatic relations with Beijing and with Taipei. Economic and other links were another matter; they are unofficial in nature. The Foreign Ministry spokesman also recalled that in 1971 Ukraine voted for a resolution in favor of restoring China's legal rights in the United Nations. The Chinese Government, the spokesman emphasized, draws attention to the assurance from Ukrainian leaders that they will assume the international obligations of the former Union. And China hopes that Ukraine will deal with Taiwan in the spirit of the two Soviet-Chinese joint communiques. As is known, this was a reference to the support of the Soviet Union for Beijing's position on the Taiwan question.

The political changes in Moscow, in particular the proclamation of independence by the Baltic republics, is encouraging the Taiwanese administration to look for contacts with those countries that are themselves seeking diplomatic recognition. But diplomats in the Chinese capital are convinced that Beijing is not particularly

worried about Taiwan's flirtation, and is sure of the position of the Ukrainian leaders.

**Thai Envoy Views USSR Economic Prospects, Political Ties**

92UF0379A Moscow NEZAVISIMAYA GAZETA  
in Russian 21 Nov 91 p 4

[Interview with Kasit Phirom, ambassador to the USSR from the Kingdom of Thailand, by Yuriy Sigov: "You Have Everything You Need for a Normal Life..."]

[Text] [Sigov] Mr. Ambassador, it is already clear that it would be absolutely senseless for the Soviet Union to follow the example of the United States, Great Britain, and Japan in economic development. Maybe there is something we can learn from a former developing country, Thailand, which has turned into one of the most prosperous states in the world in the last 20 years.

[Kasit Phirom] The secrets of economic success are essentially the same for all countries. Therefore, there is no need to invent the "bicycle" and seek a "path of one's own." Everything has already been tested by many states in Asia, America, and Europe, and all one needs to do is to take the basic elements of world experience and apply them with a view to national features.

The elements of the "economic miracle" in Thailand are its convenient geographic location at the place where two oceans come together, the presence of an excellent transport infrastructure, and its rich crude resources and industrious people. As you can see, there is nothing supernatural here.

[Sigov] All of these "miraculous components" are also present in the USSR, and in incomparably larger quantities, but the result of economic development has been the direct opposite....

[Kasit Phirom] One of the main factors impeding the development of the USSR's economy was its isolation from the outside world for so many years. The "iron curtain" kept the Soviet Union from becoming part of the world economic community. The leaders of Thailand always had a different point of view. As soon as World War II came to an end, we began inviting hundreds of foreign specialists and consultants to our country, primarily Japanese and Americans. Even today, now that enough national personnel have been trained to manage the economy, we are not embarrassed to invite specialists from abroad to work in Thailand. Consultants from Israel and Taiwan, for example, work in our Ministry of Agriculture. We also send hundreds of our students to schools in foreign countries, including the USSR.

The foreign specialists we invite to work in our country are employed by private enterprises as well as in the public sector. Dozens of Belgian, German, and American engineers and technicians work for private firms in Thailand, contributing to the development of our industry.

[Sigov] Foreign capital and foreign specialists do not want to take the risk of linking their future with the Soviet Union. Foreign investors would want to send profits out of the USSR, and not in rubles....

[Kasit Phirom] Everything here depends on your government and the laws your parliament passes. The beginning of the "Thai economic boom" was largely a result of our initial invitation of foreign investors to produce goods intended specifically for the Thai market.

This was the law. In your country, on the other hand, the lion's share of joint ventures and firms with foreign capital participation produce goods for export in the USSR, and the Soviet citizens never even see them.

Besides this, for some reason the specialists in your country who advocate a market economy are completely ignoring the tremendous importance of planning, including planning on the state level. Precise plans and the advice Thailand received from the International Monetary Fund [IMF] facilitated the initial channeling of foreign credits and loans into the most important branches of industry and agriculture.

[Sigov] To what degree, in your opinion, does the completion of economic reforms depend on the personality of the political leader in power?

[Kasit Phirom] In Thailand the economy has never been affected by political upheavals, although military coups have been much more common in our country than in the USSR. No one ravishes the economy "from above"; the private and public sectors cooperate instead of competing. No matter who is in power in Thailand, our businessman can be certain that no one will take his property or capital away from him. The government realizes that only the success of businessmen can secure its stability.

It is also significant that no leader of Thailand ever announced any grandiose objectives as he took office or promised the people to "overtake and surpass" anyone else. Stated objectives have always applied to the immediate future and have been extremely specific. The people always worked toward specific goals and knew that the results of their work would be visible to them, and not only to future generations of grandsons and great-grandsons.

[Sigov] It is no secret that Thailand owes its stable economic development largely to the monarchy....

[Kasit Phirom] I believe that the institution of monarchy does quell political passions in the society and keep them from going to extremes. Even the military leaders responsible for the coups in Thailand have always been extremely loyal to the king. In addition, the royal family in Thailand has always been treated with great respect by the people, because it spends almost 6 months of the year traveling around the country, helping people, and participating in various charitable works. Therefore, monarchy is not such a bad thing. Without a sound economy,

however, no amount of charity, even when it is dispensed by a very good king, can save the people.

[Sigov] Is the Government of Thailand considering the possibility of giving the Soviet Union aid in this difficult period of the establishment of new economic structures?

[Kasit Phirom] I have already been to many parts of the Soviet Union, and I have been told almost everywhere that you need money to buy Western equipment for economic growth. I feel, however, that you should begin by learning to treat what you already have more carefully and sensibly, and using your own reserves before you start thinking about outside assistance. The main thing you must do is to learn the art of intelligent economic management and not buy equipment no one can master.

The Thai leadership already allocated 200,000 tons of rice on credit to the Soviet Union last December, and this year the USSR received 50 million dollars in credit for the purchase of rubber and coffee from Thailand. We have already offered to train managers from the union republics, particularly the Central Asian republics, in Thailand. Therefore, Thailand is already giving your country assistance, and there is a good chance that this kind of cooperation will continue.

[Sigov] How does the Thai leadership intend to build its relations with the USSR now that it no longer exists as a single centralized state?

[Kasit Phirom] The Government of Thailand has not established official relations with any republic of the USSR. I just returned from a trip to Central Asia, where I met the leaders of Kazakhstan and Turkmenia and President Karimov of Uzbekistan. All of them said they wanted to study our experience, send their specialists to our country for training, and organize Thai trade fairs in their republics. We have similar proposals from the Buryat Republic (a Buddhist republic related to us by religion). Now I am getting ready to go to Vladivostok and investigate the possibilities for direct ties between Thailand and this region.

[Sigov] In addition to being famous for its "economic miracles," Thailand is known as a country with many refugees from neighboring states. The refugee problem is now one of the most pressing issues in the Soviet Union. How would you advise us to solve it?

[Kasit Phirom] It is true that many people have recently wanted to move to Thailand from neighboring countries, either because they were persecuted at home or because they are seeking a better life in our country. We do not send anyone away, although the thousands of Burmese, Cambodians, and Vietnamese who cross our borders do create serious problems. The main characteristic of the Thai people is their tolerance for people of other nationalities, religions, and convictions. People of any nationality who ask the Thai Government for help will receive it.

The refugee problem, which has recently been an extremely acute problem in your republics, especially Russia, is quite serious and must not be ignored. This is not even a political issue, but a question of morality, and the moral principles of a state can be judged by its treatment of refugees.

[Sigov] Today it has become popular to say that people in the Soviet Union are living in poverty and that this is a disgrace. As a diplomat, although you naturally have not experienced many of our daily problems, how would you assess the prospects for our country's emergence from its present severe crisis?

[Kasit Phirom] If you keep saying that you are poor, and if foreigners then begin repeating this to you, you are certain to get discouraged, and then you will lose everything. Your country is not at all poor. I will not even mention its economic strength, natural resources, and educated personnel. You have everything you need for a normal life, but you do not have the main thing—spiritual unity and faith in your own future. You should not blame the Soviet leaders for all of your problems. In the first place, you elected them yourselves. In the second place, it does not take any decrees or resolutions by the country's leaders to remove the trash, for example, from the yard next to our embassy.

#### **Japanese Diplomat Discusses Kurils Issue, Aid to USSR**

92UF0322A Moscow NEZAVISIMAYA GAZETA  
in Russian 13 Nov 91 pp 1, 2

[Interview with Kazuhiko Togo, chief of the Soviet Union Department of the Japanese Ministry of Foreign Affairs, by Vasily Golovnin, in Tokyo: "Renunciation of Principles? Aid Has Been Extended, But the Territorial Problem Remains"]

[Text] For decades our experts on Japanese affairs were certain that the Ministry of Foreign Affairs in Tokyo was extraordinarily intransigent and suspicious of Moscow and that its officials would oppose any advances in bilateral relations unless they fit into the rigid scenario of the return of the northern territories, which is what our neighbors in the Far East call the disputed portion of the Kuril archipelago.

It seems to me, however, that the actions of the Japanese Ministry of Foreign Affairs in recent months have corresponded much less to this hackneyed stereotype. I am referring specifically to the policy line of the "ministry," despite the fact that we have grown accustomed to associating diplomacy with specific names (Kissinger, Genscher, and Gromyko). Japan, however, is not America or Europe, as the saying goes, and the ministers who represent the ruling party in Japan are career politicians who usually hold this office no more than 2 or 3 years, leaving the actual policymaking to highly educated career diplomats, who are rightfully regarded here as a genuine elite.

Today one of the "unseen heroes" responsible for Tokyo's new foreign policy flexibility—Chief Kazuhiko Togo of the Soviet Union Department of the Japanese Ministry of Foreign Affairs—answered the questions of NEZAVISIMAYA GAZETA. Incidentally, this is the first interview in history of an influential Japanese career diplomat in the news media. To provide some background information, I must say that the Soviet Union Department has been instrumental in planning many of the moves that have evoked a positive response from Moscow, including the decision to offer us the aid package of 2.5 billion dollars in spite of the unresolved territorial issue.

[Golovnin] Togo-san, do you agree that Tokyo's stance on Russia and the Soviet Union has undergone changes?

[Togo] I am certainly happy that our policy appears more flexible. I want very much to work more creatively and innovatively, but it would be wrong to say that Japan's earlier stance and the line of my predecessors were absolutely inflexible. It is just that conditions change, and our policy also changes, although its basic premises remain the same. If Japanese diplomacy seems more flexible to you, this is connected primarily with a change in the stance of Russia and the Soviet Union. Here is just one example: Until the second half of the 1980s the USSR declared that it did not even want to hear anything about the territorial issue in relations with Japan. Our statements were simply ignored, and I am sorry to say that we were treated inhumanly. Everything changed in January 1986, when Shevardnadze came to Tokyo and said he was willing to listen to any of the opinions of the Japanese side.

And this was not all. Your move toward stronger democracy, freedom, glasnost, and the incorporation of elements of the market economy evoked a tremendous positive response in Tokyo.

[Golovnin] The decision to extend a huge package of aid to the Soviet Union is a tangible sign of changes in the Japanese stance.

[Togo] You are referring, of course, to the 2.5 billion dollars. Half a billion is humanitarian aid in the form of Export-Import Bank funding for shipments of food and medicine and the means of their delivery. The remaining 2 billion is a new sphere of assistance, designed to intensify Japanese-Soviet trade and primarily envisaging state insurance of export shipments to the Soviet Union. Incidentally, some commentaries have alleged that the element of genuine "aid" is missing from this package, and some explanation is therefore in order.

From the economic standpoint, your country is in an extremely difficult position now. It is a zone of considerable commercial risk. For this reason, businessmen tend to be wary of transactions with the USSR, and Japanese exports to the Soviet Union in the first half of this year were 20 percent below the figure for the

previous 6 months. Under these conditions, it would be difficult to keep the volume of trade even on last year's level. For this reason, the decision to insure exports will have a considerable impact from the economic and the psychological standpoints, and the latter does, incidentally, play an extremely important role in business. After all, these 2 billion dollars were a clear sign of the Japanese Government's willingness to support trade with the USSR.

Incidentally, the export insurance will extend primarily to shipments of equipment for the oil industry and other branches of power engineering in the USSR. This is not our choice; this was the resolute demand of the Soviet side—after all, everyone knows about the difficulties in oil production in the USSR. I assure you that private businessmen would not have agreed to make large shipments of this kind of equipment if the transactions had not been underwritten by the government. This is also the first time we have allocated money to insure investments and to finance the partial payment of Soviet trade debts. Those who say that this is "not aid" do not know anything about economics or about the levers our government is using to influence the business community in our country.

[Golovnin] But Japan has always professed the "inseparability of politics and economics" in relations with the Soviet Union, linking the extension of sizable aid packages with the resolution of the territorial issue. Are you departing from this basic premise?

[Togo] There is no need to link the 2.5 billion with the territorial question. We do want to separate this aid from the issue of the northern territories. I think the events in your country are of historic significance. Democratization and freedom of the press are values all humanity has been seeking in the 20th century. We must frankly declare our deepest respect for what is happening in your country. In essence, the 2.5 billion is a sign of our appreciation of the events in the Soviet Union, an expression of solidarity with the aspirations of your people, and an indication that we sympathize with the difficulties that accompany great changes.

This does not, however, lessen our sincere desire to solve the problem of the northern territories and conclude a peace treaty. I am personally convinced that your progression toward democracy and freedom will promote this. In fact, the movement toward the resolution of the territorial issue and the changes Japan supports in the Soviet Union are two processes moving in the same direction. Our relations will undergo radical changes as a result.

Furthermore, we are not concerned simply with getting the territories. We believe that this will remove a disturbing element from our relations and contribute to their improvement. In essence, this is our fundamental goal.

**Potential, Problems in MiG Sales to India***92UF0382A Moscow IZVESTIYA in Russian 19 Dec 91  
Union Edition p 5*

[Report by N. Paklin: "Our MiG's for India"]

[Text] Delhi—Soviet-Indian cooperation in the defense field is being hampered by bureaucratic obstacles both in our country and in India. Such is the opinion of Academician Rostislav Belyakov, chief designer of the Mikoyan Design Bureau.

"Our state economic systems are still too cumbersome. Information passes along their channels slowly, and it takes a great deal of time to place orders for military equipment and for spare parts for it. Transport connections are complicated. It happens that, because of the absence of some trifling spare part, aircraft which we have supplied to India or which have been manufactured in this country under license cannot take off. I see one way out of the bureaucratic labyrinth—the transition to direct relations between manufacturers and suppliers," R. Belyakov told our correspondent.

Together with a large group of our airmen he was in India for the first Indian air show. Although our participation in the air show was not as effective as our aviators had hoped because of misinformation (no one was expecting the arrival of our military and passenger aircraft), nonetheless, every cloud has a silver lining, as they say. In Delhi our specialists conducted negotiations which contributed to the advancement of cooperation between us and the Indians in the sphere of aviation. It was confirmed at the negotiations that the proposal for the joint manufacture of vertical takeoff and landing combat aircraft, which the Indian side had made earlier, held good. It is a question of practical partnership, which presupposes joint research and manufacture of the aircraft.

But the two countries' MiG cooperation would seem the most promising. Indian pilots have come to like these combat aircraft. A large number of MiG's have been made in India to Soviet licenses. At the present time India intends to resume manufacture of the MiG-21 in order to export it to third countries. Moscow does not object to the intention of its Indian partners but the new version of the MiG-21 will differ noticeably from the previous one.

The Indian side requested that we develop a plan for the modernization of this combat aircraft. The Mikoyan Design Bureau responded to this request. The detail design has already been developed. The Indian side has had it since September for study. In accordance with the design, there is a change in the armament of the fighter and its control system. As a result the aircraft's combat potential will increase by a factor of 2.5-3. What is important is that the modernization will be comparatively inexpensive—approximately 30 percent of the overall price of the aircraft. Our side is prepared to

perform some of this work, and it is contemplated to hand over some to the Indian side.

According to R. Belyakov, we could also resolve the problem of spares for the MiG's, which has become a stumbling block for the Indian airmen. We could, without detriment to ourselves, supply some spares from our stores, and, as the Soviet Air Force is reduced, aircraft which are taken out of service could be dismantled and used for spares.

Another promising area of our cooperation is the manufacture in India of the modern MiG-29 fighters. India has already acquired a consignment of these first-class machines, which are unparalleled anywhere in the world (U.S. President G. Bush has, among other things, asked us to sell the MiG-29. They have proven their superiority to the American F-16 at exercises in Germany, which "inherited" 24 MiG-29's from the former GDR National People's Army).

"In addition, our country could sell India a consignment of the latest models—the MiG-31 aircraft," R. Belyakov said. "Their special feature is the ability to monitor from a great distance. It is a kind of mini-AWACS. Four MiG-31's, passing information to one another, can scan an area up to 900 km wide. As distinct from the American AWACS patrol aircraft, the MiG-31 not only detects but also destroys the target. We have not sold anyone these fighters yet."

R. Belyakov, who is a most authoritative representative of our military-industrial complex, believes that India could, as before, pay for the supply of our combat aircraft and spares in Indian rupees. "India has many commodities which our design bureaus and plants supplying aircraft and equipment would willingly acquire for the earned rupees," he said, "and it seems to me that barter deals are by no means exhausted."

To judge by everything, this approach would be entirely to India's liking also. It is a question of removing the bureaucratic barriers on the one hand and of promptly concluding the corresponding agreements on the other.

**Results of Mujahidin Talks in Moscow Assessed***92UF0381 Moscow NEZAVISIMAYA GAZETA in  
Russian 21 Nov 91 p 4*

[Article by K. Medvedev: "Moscow Breakthrough of the Mujahidin"]

[Text] The first official visit of a delegation of Afghan Mujahidin to the Soviet Union was a sensation in itself: those who were irreconcilable enemies for almost ten years sat down at a negotiating table. Results of the negotiations became sensational as well—the sides confirmed the need to pass all power in Afghanistan to an Islamic transitional government. How and in what way it will come to power—through the storming and capture of Kabul or the voluntary withdrawal of Najibullah from power—this is something that must be decided by

Afghans themselves. But already in the joint declaration the government of Najibullah is called nothing other than "the Kabul regime."

A stop in the delivery of weapons means little in itself. First of all the stockpile of weapons and ammunition available on the territory of Afghanistan would be more than enough for about five years, and secondly, three to four weeks before the start of negotiations in Moscow the Soviet Union made massive deliveries of heavy weapons to Kabul, including the notorious "Scud" missiles of mass destruction.

It is an entirely different matter with the stop in the deliveries of fuel. In November not one ton of aviation fuel was delivered from the territory of Turkmenistan to Kabul. In reality this means that in a few months Najibullah's air force, Kabul's most effective means in the war against the Mujahidin, will be unable to take off from its airfields. Then Najibullah can be saved only by the rapid advance of winter when snow will make the mountain paths impassable. Still the fate of Najibullah's regime is predetermined and its fall becomes merely a question of time.

After that a new era will come about: Afghanistan, headed by the Islamic transitional government, "transitional" for two whole years. This gives rise to the question: what will the relations be like between Islamic Afghanistan and Russia? Alas, the answer to it after initial negotiations (essentially trilateral: Soviet-Russian-Afghan) is not known. Only one thing is known: these relations will be whatever the Mujahidin themselves will want. The validity of all treaties and agreements concluded between the USSR and the Afghanistan governments, from 1978 until the transfer of power to the Islamic transitional government, will be determined by this very government. Without negotiations, coordination, or consultations with the Soviet-Russian side.

At first glance this is excellent—the principle of nonintervention in the internal affairs of other countries finally triumphs, finally Russia rejected its "imperialist ways." Well, that is indeed excellent. But what is to be done with the Soviet prisoners of war?

The declaration mentions this problem very vaguely: "The sides agreed to do everything possible to free the prisoners of war," "the Mujahidin, proceeding from an aspiration for peace, will undertake measures to release the first group of Soviet prisoners of war prior to 1 January 1992." The question as to how many people will be in the first group was answered by Burhanuddin Rabbani, head of the Mujahidin delegation, in a very rigid and cursory manner: "When the first group is released, you will find out." It is doubtful that the rigidity of Professor Rabbani is explained only by his reluctance to go into details of the problem. The absolute majority of the prisoners of war are in the hands of "irreconcilable" fundamentalists, whose leaders already announced that they have no intention of returning anyone. The issue is probably something else.

As admitted in a lobby interview by one of the members of the Mujahidin delegation: "We understand very well that Najibullah is no longer of any interest to you, instead you are concerned about the fate of your prisoners of war." Politics is related to trade—this is understood in the East as nowhere else and no one anywhere will ignore his own advantage in the conclusion of a deal. Even if the trading involves human lives.

The joint declaration does not even mention the agreement of the parties to see Afghanistan as an independent and stable country. The stability of Afghanistan, that is of such interest to Russia, which is entering into a political and economic union with Central Asian Moslem republics, directly bordering on Afghanistan—this concept never appeared in the text of the document, even though it was repeatedly heard during the negotiations. The Mujahidin very transparently let it be understood that if Najibullah relinquishes power voluntarily "Islamic humanitarianism" will be manifested toward the adherents of his regime and they will not be subjected to persecution. A public statement by Mujahidin leaders and even the signing of a special declaration was offered as guarantee of the fulfillment of these conditions.

It is possible to have various attitudes towards "Islamic humanitarianism" including a highly skeptical one, such as the one held by the author of these lines. Fact, however, remains fact: any declaration authenticated with the signature of an official, is better than the absence of any documents at all, and what is most important—in case of its violation it provides the right to appeal to the world community. Especially since Pakistan as well has in recent times also hinted at its interest in seeing Afghanistan not torn apart by civil war or agitated by the frenzied slaughter of the followers of Najibullah, but as an Islamic country stable in the political sense. It is not by accident that the Mujahidin delegation included individuals known for their close ties with Pakistani intelligence services.

No one is calling for intervention in the internal affairs of Afghanistan. But since the fate of "the Kabul regime" was being resolved in Moscow it is necessary to lay the foundations of future mutual relations right away. Russian diplomacy selected the tactics of the old Union ministry of foreign affairs: we agree to all the demands and make concession, but remember how good we are and how daringly we are overcoming mistakes of the past. Gratitude is an unstable factor in international relations, particularly when gratitude is sought by recent enemies. No one can ever repeal international law, however: it can be violated but such a violation can sound an echo in forty or even fifty years. Russian diplomacy is apparently assimilating these elementary truths with difficulty, even though it is itself faced with the building of new relations both with the Baltic states and with Japan, which provided a graphic lesson in the stability of international law.

However, should one direct such stern criticism at the Russian Ministry of Foreign Affairs, which in a year of

its existence, was unable to either create a collegium nor elaborate a concept of the foreign policy of Russia or discuss it at a session of the Parliament.

### **Belonogov Interviewed on Outcome of Mujahidin Talks**

92UF0380A Moscow NEZAVISIMAYA GAZETA  
in Russian 21 Nov 91 p 4

[Interview with Aleksandr Belonogov, USSR deputy minister of foreign affairs and chairman, Interdepartmental Working Group on Searching for and Freeing Soviet POW's, by NEZAVISIMAYA GAZETA correspondent Lena Bereznitskaya]

[Text] [Bereznitskaya] Aleksandr Mikhaylovich, in your opinion, how should we regard the talks with the mujahidin—as merely a sensation or as an important operational factor in our foreign policy?

[Belonogov] This event should not be overly dramatized. We had already held separate meetings with the mujahidin two years ago, but gradually the development of events led to a recognition that there should be a full-scale meeting.

[Bereznitskaya] Do you have in mind the ill-fated putsch?

[Belonogov] Certainly. It cleared the field for maneuvers. There were some very influential forces which had been hindering the development of this dialogue. As to the talks themselves, they produced much better results than could have been anticipated. But they did proceed in a highly dramatic, complicated manner, and at times it seemed that we had already reached a complete impasse and that it was impossible to arrive at a specific understanding.

[Bereznitskaya] Was that facilitated by the fact that the delegation from our side was a joint Soviet-Russian one?

[Belonogov] To a certain extent, that did facilitate the dramatic quality. The mujahidin tactic was to keep trying to divide the Russian part from the rest of our delegation.

[Bereznitskaya] How did our delegation conduct itself?

[Belonogov] It held to the line which had previously been stipulated and agreed upon. A great deal of preliminary work had been done between the Union-level Ministry of Foreign Affairs and its Russian counterpart. Representatives from other republics were subsequently included. But there was a basic, fundamental understanding with the representatives from the Russian Ministry of Foreign Affairs.

Our positions were determined and defined by our support for the platform which had been formulated by the UN Secretary General on 21 May. At the center of attention, naturally, was the point that a peaceful settlement could be achieved only after a transition period. At

first we were not very successful in this matter. The mujahidin delegation had arrived with the aim of obtaining from us an admission or acknowledgement that the Najibullah government was a puppet-type government, that we should break off all ties with it, as well as abrogating all agreements concluded since 1978. Their delegation also tried to get us to pledge to use all our influence to transfer power and authority to the mujahidin government. We could not support such a way of putting the question. We do not consider the mujahidin government to be a representative force which could ensure a peaceful transition period; and we said so very frankly.

[Bereznitskaya] You've mentioned the positive result of these talks. But there is nothing particularly striking in the text of the declaration.

[Belonogov] In this document the mujahidin accepted the idea of a transition government. Moreover, this would obviously not be that government which is now in Peshawar. The mujahidin declared that they would conduct elections under the aegis of the UN and the Islamic Conference Organization. This is a specific political movement which, we hope, will somehow continue to strengthen itself and develop further.

The second positive factor, in my opinion, is a promise to free the initial group of POW's prior to the beginning of 1992. The mujahidin agreed on this formulation at the very last moment. Before this, they had agreed at best to draw up lists without accepting any sorts of obligations regarding the handing over of such POW's. Unfortunately, the mujahidin were not prepared to carry on any objective or substantive discussions on the topic of the POW's. They referred to the fact that they did not have complete information regarding these POW's.

[Bereznitskaya] That is, when it suits the mujahidin, they refer to the fact that all the POW's are in the hands of the field commanders. On the other hand, they have signed a declaration that they will begin to return these POW's. Is that what you are telling us?

[Belonogov] That does reflect the true state of affairs. The mujahidin leaders have a certain number of POW's, whereas the remaining ones are being held by the field commanders. But it may well be that there is a certain amount of slyness here, a tactic of wait-and-see.

[Bereznitskaya] Was the issue of food deliveries brought up at these talks?

[Belonogov] That matter was not discussed. But it did arise during the course of a conversation with Rutskiy, when the mujahidin complained that food aid to the Afghan people was being channeled solely into one set of hands.

[Bereznitskaya] If we were to stop delivering food supplies, plus carrying out all the points contained within the joint declaration, what levers would remain whereby we could exert any influence on Kabul?

[Belonogov] This declaration should not be interpreted as something for damming up all channels of material ties between the Union and Afghanistan.

[Bereznitskaya] The declaration states that the Soviet Union pledges to participate without fail in the restoration of Afghanistan. Russia was the most active participant in these talks. What other republics will participate in such restoration?

[Belonogov] We are proceeding on the basis that those who will join the USS [Union of Sovereign States] will be the foremost participants in this restoration work. Pledges made by the Soviet Union will be transferred to this new formation.

[Bereznitskaya] In your opinion, what was the stumbling-block at the talks?

[Belonogov] The question of power: Who should possess it in Afghanistan? The mujahidin delegation arrived with the precise aim of obtaining certain political gifts from us, but we were not in a position to grant them.

[Bereznitskaya] What complications were there within our own delegation?

[Belonogov] I would say the following: There were no problems with the representatives from the Russian Ministry of Foreign Affairs. Problems did arise at times with representatives from other structures. I personally cannot accept the thesis that those international obligations which the Soviet Union has do not have anything to do with the Russian Federation. I do agree that the Russian leadership does not bear any responsibility for introducing troops into Afghanistan. But when the Union as a state has a certain system of relations with other countries, it is impossible to take the position that this is not in any way binding upon those states which are included within the Union.

### **Afghan Settlement Issues, Potential Dangers Examined**

92UF0371A Moscow *DELOVOY MIR* in Russian  
20 Nov 91 p 2

[Article by Sergey Ivanov, candidate of historical sciences: "Afghanistan: Is It Up to Us To Disentangle Things?]

[Text] The joint declaration which was adopted as a result of the four-day talks held last week with a delegation of the Afghan opposition (its moderate wing) was assessed by all observers as a sensational success. The principal result is an agreement to transfer power to an Islamic transitional government, based on a plan put forth by the UN Secretary General. And this transitional government will already adopt decisions concerning the treaties concluded between the USSR and Afghanistan after 1978. The Mujahidin promised to free the first group of Soviet POW's prior to 1 January 1992, although the extremist part of the opposition declared—during the very days

when the talks were going on—that it would not fulfill this pledge. However, there are no doubts about the precision of our side's fulfilling its pledges. And prior to the coming year we intend to cease supplying Kabul with arms and fuel for its military equipment, completely withdraw our own military personnel from this neighboring country, as well as participate in the postwar restoration and reconstruction.

The visit to Moscow by representatives of the opposition to Najibullah's regime has compelled us to seriously give some new thought regarding the Afghan situation. Because, after all, it is like a painful, open wound for us.

Of course, it was worse in the past. But even today this situation is in danger of exploding; it is in an unstable state of balance. And right alongside, on the territory of the former USSR, the Central Asian kettle is slowly coming to a boil.... How can we fail to recall that Afghanistan is practically a country of Tajiks, and one out of every ten persons is an Uzbek; Turkmens live here as well as the Pamir peoples related to our own. On the whole, the Tajik city-dwellers have played—and are playing—a key role in the opposition movement. Let me remind the reader about another, generally well-known, but still no less important factor: The people living on both sides of the border are related not merely by an ethnic but also by a religious communality—they all belong to the "Islamic nation."

Public attention in our country has been drawn to the fate of Soviet POW's, whereas the Mujahidin pose the question of 35,000 of their fellow-countrymen who are missing, i.e., they have disappeared without a trace. We grieve for 15,000 Soviet lads, while the Mujahidin present their own tally—1.5 million Afghans who have perished! This is only one aspect of the situation as it exists today. And here are several more aspects.

On the international level the Afghan War with the participation of the USSR has been assessed—and not without some justification—as a peripheral variant of the encounter between the two superpowers. Now the rivalry no longer exists, whereas one of the two sides has even lost the status of an operating superpower. From this point of view it is completely natural that Washington has lowered its interest and hence its activity with regard to what is taking place in Afghanistan. And only Moscow cannot allow itself to do the same thing—there are too many "buts" affecting us and which are very dangerous for us.

The potential for conflict which has accumulated within Afghanistan's borders during the past years of fighting is probably even more dangerous than the accumulated killing power of the arms which have been sent in here from various sources. By the way, these are basically our weapons—and everybody there is now using them. Is it scarcely by chance that the most militant component of the Mujahidin leaders, despite the introduction by us and the Americans of an embargo—beginning on 1 January—on supplying lethal "items" (this term is derived from the

"new language" of our VPK [military-industrial complex]), nevertheless, still intend to fight to a victorious conclusion. And whereas the Americans can permit themselves the luxury of focusing their main attention on something with a higher priority for them (elsewhere in the Middle East, for example), for us it's a different matter. Events, whether occurring here [N.B. Rest of sentence illegible in Russian text] seem to indicate that our country cannot do what it intended [?]. The specter of a bloody orgy which continues to hang over Afghanistan would seem to us to be in a different light if we recall how difficult it is becoming with each passing month for our border troops to keep the border "locked up...."

Now let's proceed to the Afghan aspect proper. Nothing can be explained here in just a few words, so let's concentrate merely on the main thing. The Mujahidin (fighters for a true and just cause) encompass too broad and general a concept. They also include "moderates," who are predominant in the Peshawar center (the most important figure here is B. Rabbani, who is already known to the Soviet negotiators). There are also influential "irreconcilables" like G. Hekmatyar, who are not inclined to negotiate matters and who did not send representatives to Moscow. However, people from the "Pro-Tehran" faction did arrive there. There are also the so-called field commanders, who have the manners of appanage princelings, refusing to subordinate themselves either to God or the Devil.... A constant struggle is being waged among them for spheres of influence.

There is no longer direct American aid to the Mujahidin, and we must assume that Washington has simply become tired of the Eastern specifics in themselves—something which was not to the liking of British orientlists, whether in civilian clothes or in khaki. But the "feeding" of the Mujahidin movements continues; this is now coming from the Islamic "superpowers of the East": Pakistan, Iran, and Saudi Arabia. Because of the competition among them, factors either supporting or breaking up the opposition to Doctor Najibullah's regime are being introduced into the Afghan situation. There are likewise advocates of restoring the monarchy. Their position has also been supported by peaceful proposals to be worked out on the international level. But the principal mass of the Mujahidin are hardly delighted by such an idea, and some are decidedly opposed to it. Attesting to this latter position was the recent attempt on the life of Zahir Shah, the exiled king.

Now let's talk about Najibullah. Artfully maneuvering among the many "subconflicts" which go to make up the overall Afghan conflict, he relies on the army and other armed formations. Even his enemies give him his due with regard to his courage and political talent. A former party member and the "foremost Afghan Chekist," Najib is the most worthy leader when compared to his predecessors of the "revolutionary-democratic period": Taraki, a romantic type of revolutionary; Amin, a clearly expressed dictator; and Karmal, a "stooge" or "puppet."

The Mujahidin have unambiguously concentrated on overthrowing Najibullah, demanding that Moscow cease furnishing him with all kinds of assistance and that it annul all its agreements with Kabul. The matter of freeing the POW's would seem to be connected with this too (although our Afghan "guests" would not admit this directly). And so on the part of the Mujahidin—these fine-looking bearded fellows—a certain game is afoot. How should our side conduct itself? The question is a complicated and dramatic one. Because, of course, the emotions of mothers waiting for their sons to be freed from captivity are so understandable! But if only this....

Should we abandon our support of Najibullah, one of our country's most worthy allies abroad? On a purely intra-Afghan level this would mean the virtual annihilation of tens of thousands of people—if not more—who have cast their lot with the present-day Kabul regime. This is not an over-dramatization, but rather the statement of an obvious fact. In the international level, to abandon Najibullah to the whims of fate would mean a genuine loss of face for our leaders—particularly in the "third world"—and the completion of all its misfortunes. By the way, it has already been noted in the West that the Kabul regime has now reoriented itself away from its "communist" past toward capitalism and democracy, whereas its opponents—the Mujahidin—comprise a motley crew of fiery warriors and Islamic fundamentalists, over whom the spirit of the dread Khamenei hovers. In other words, the Afghan "apportionments" have changed and are changing even for the West: The "Islamic card" did not lie where it was intended.... We must give this matter some more consideration!

It's not a good idea to poke dilettantish fun at militant Islam. What we must do now is to direct our gaze at Central Asia, which is contiguous with Afghanistan. Here it is difficult to over-exaggerate the potential danger from transforming the Afghan drama into a general kind of tragedy. Therefore, let me state right away the worst of the possible evils. An explosive exacerbation of interethnic conflicts, massive smuggling of arms across a penetrated border, a flare-up of Islamic extremist terrorism, a threat to the safe and secure existence of the non-indigenous population in the still-peaceful regions.... Those who have been assigned the task of defending and protecting the interests of Russia (as well as those, speaking provisionally, of the Union) must carefully picture the entire seriousness of the situation in Afghanistan and around it.

#### **Libyan Stance on Lockerbie Suspects 'Pretty Constructive'**

*PM1712102591 Moscow PRAVDA in Russian  
13 Dec 91 p 5*

[Observer Konstantin Kapitonov article from "Different Stances" feature: "Tripoli Seeks Objectivity"]

[Text] Passions over Libya are still high. Washington's and London's demands for the handover of the two

Libyans are accompanied by overt threats to use force if Libya does not hand over the suspects.

Without wishing to defend Libyan leader Colonel Qadhafi (he does not need that, in fact), I will take the liberty of casting doubt on the legality of London's and Washington's demands. Although even this is not the point I am protesting about. What is worrying is the propaganda ballyhoo whipped up by the United States and Britain over the tragic incident involving the U.S. Boeing.

What is the purpose of this? I believe the goals are primarily political. It is no secret, after all, that the United States (and not only the United States) has been hostile toward Libya for a long time. And the U.S. Administration is obviously allergic to its leader, Qadhafi. The White House does not like the fact that the colonel conducts a distinctly anti-American and anti-Western policy.

Then, on 27 November, Washington and London decided to put out a statement in connection with the incident, three years ago, which led to the destruction of the PanAm aircraft and its passengers.

I do not really think the essentially propagandist use of the media as a means of intercourse between states is going to lead to a solution of the problems that exist between Libya on the one hand, and the British-U.S. bloc on the other. The best and most successful means of dialogue between states is diplomatic channels, as the statement issued a few days ago by the Libyan People's Committee for External Liaison and International Cooperation rightly says, in my view.

The U.S. Administration and the British Government are resorting to the assistance of the press in an attempt to mold international public opinion and suggest that the accusation made against the two Libyans is a final court

decision. London and Washington appear not to see that the fuss they have kicked up could have an adverse effect on the investigators and judges. It deprives the former of the chance to investigate the matter objectively and the latter of the chance to examine it in a just and impartial manner.

And this tragedy must be examined, as Tacitus put it, "without anger and without bias."

One wants to avoid unnecessary generalization, but in my view the Libyan authorities have adopted a pretty constructive stance on this matter. Indeed, it is based not on emotion, but on the letter of the law. Tripoli believes that the investigation of the matter should be conducted, in accordance with the 1953 criminal procedure code, under the leadership of a Libyan examining magistrate (since Libyan citizens are involved).

Nonetheless Tripoli agrees to judges from the United States and Britain participating in the investigation. This will enable them to see that the correct procedures are being followed and the investigation is impartial. Libya also agrees to the creation of a neutral international commission to study all the circumstances of the tragedy. This is all in a statement by the Arab League, adopted recently in Cairo. The Arab League asked Washington and London to refrain from any sanctions or actions against Libya in order to avoid increasing tension.

I believe that in this situation the United States and Britain not only do not have the right to use force, but should not threaten to use it. It runs counter to the UN Charter, which London and Washington are constantly saying should be unswervingly observed. The law, or at least the rules of generally accepted norms of international relations, must take precedence. With total respect for the sovereignty of all states, of course. And without threats...

## International Community Criticized for Inaction in Somalia

92UF0370A Moscow PRAVDA in Russian  
16 Dec 91 p 4

[Article by Igor Tarutin, correspondent: "The Agony of Somalia: A Report on the Details"]

*[Text] According to the latest information, more than 3,000 people have already perished in Somalia's capital during the course of fighting which has been going on for almost a month now between rival factions. Heavy artillery, rockets, and mortars have been used. The destruction is enormous. The city has been turned into ruins. Half of the inhabitants have abandoned it, fleeing wherever they could in search of safety. The fate of those remaining is tragic. There is no food or drinking water, and—what is no less terrible—no medicines or drugs. The wounded number more than 7,000. They are dying for lack of medical aid. And with each passing day the list of victims is increasing.*

The instability in this country has already lasted for a year: since last January [1991], when the opposition forces—after a fierce struggle—occupied Mogadishu, thus putting an end to the dictatorship of Siad Barre. The capital was taken by an assault mounted by detachments of the United Somali Congress [USC]. But peace did not ensue with the tyrant's fall. On the contrary, Somalia has been burdened with even more chaos. The former comrades-in-arms, after uniting together in order to overthrow the former regime, then fell to quarreling among themselves. Their unstable coalition fell apart, and they began settling old scores. Separatist tendencies grew stronger. The North declared its independence and proclaimed the founding of an independent republic to be known as Somaliland. The South also separated itself.

At one point in time it seemed as though this process of disintegration would be successfully halted. In July representatives of the principal factions assembled in neighboring Djibouti and attempted to find a common language. As a result, they even formed a transitional government. Ali Mahdi Mohamed, one of the leaders of the United Somali Congress, became its chief and provisional president. But the calm did not last long. The ambitions of leaders striving to come to power proved stronger than reason or common sense.

Moreover, the conflicts between them are rather more ethnic than political in their nature. At first glance, Somalia was lucky in contrast to most African states; its population of some 8 million is homogeneous. It consists almost entirely of the Somali people, who speak a single

language and have a single religion—Islam. But this theoretical integrated nation is further divided into tribes, subgroups, and clans. They number more than 25, and it is they who are fighting among themselves for influence.

The present-day fight is, on the whole, taking place within a single tribe—the Haawiye. Its members constitute the majority of Mogadishu's inhabitants as well as the foundation of the United Somali Congress. Discord flared up between two of its leaders: General Mohamed Farah Aydid, who is chairman of the congress and who relies on the Abgal Clan, and Daniel agar Moi, the country's president, who represents the Habr Gedir Clan.

The rivalry between them has been going on for a long time. Each one has laid claim to the primary leadership roles, demanding that the other one retire. Routine demonstrations turned into slaughters. Each one has only one argument—bullets. A bloody vendetta began, and it seems impossible to stop it.

Furthermore, no one is making any particular effort to do that. Only Daniel arap Moi, the president of Kenya, and Ethiopia's leader, Meles Zenawi, after a joint meeting, called for outside efforts to restore peace in Somalia. Nobody responded. The Organization of African Unity preferred to keep silent. Within the boundaries of the continent the reaction was the same. Several months ago the United States proposed to play the role of mediator in talks or negotiations between the hostile factions. But when the situation became worse, Washington preferred not to intervene. Nor has the United Nations expressed any particular interest in this conflict. I cannot help feeling that the international community—willy-nilly—is applying a double standard. In an analogous situation in Yugoslavia virtually everybody has participated to some degree and manifested a desire to render assistance in regulating the crisis there. In this latter case, the following principle seems to be in operation: "The fire that is nearby must be put out," whereas in the other case—with regard to the far-off Horn of Africa—there seems to be a feeling of "Let it burn all the brighter." And it is burning. But is the life of a Somali really less valuable? To be sure, those who have been killed can no longer be helped. Let's give some thought to the living.

A report has just arrived from Somalia states that the fighting in Mogadishu has flared up again with even greater force. Even the Red Cross has decided to evacuate its own personnel—which was already quite small—from there. The agony continues.

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