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JPRS-UIA-88-005
16 FEBRUARY 1988



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JPRS Report

Soviet Union

International Affairs

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Soviet Union

International Affairs

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Problems in New Strategy of CEMA Cooperation Discussed

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MATEMATICHESKIYE METODY in Russian No 5,
Sep-Oct 87 received by editors 29 Apr 87 pp 785-792

[Article by Yuriy Semenovich Shiryayev, corresponding member of the USSR Academy of Sciences, director of the CEMA International Institute of Economic Problems of the World Socialist System, Moscow: "Problems Concerning the Elaboration and Realization of New Strategy in Cooperation and Development of CEMA Members"]

[Text] The Great October Socialist Revolution laid down firm foundations for new internationalist relations among nations. Lenin's ideas in this area not only fully retain the urgency at present, but also are further developed in the practice of all-around cooperation among sovereign socialist states united in the Council for Economic Mutual Assistance. During the years following CEMA formation the community of socialist countries has made big advances. The socialist economic integration has become the most important factor in an efficient development of the national economy of every fraternal state and the community as a whole and in bringing their economic levels closer together. The significant acceleration of the social and economic progress of CEMA members and their achievements in economic construction are connected with the systematic utilization of the advantages of the international division of labor and, in particular, integration.

At the same time, the development of cooperation among socialist states cannot be considered in a simplified manner a straightforward process devoid of contradictions. They exist and, inevitably, must be overcome at every new phase of social and economic development. This generates the need for fundamentally restructuring the entire system of interaction of CEMA members in the interests of acceleration of social and economic development on the basis of the mastering of the latest scientific and technological achievements.

Along with the community's unconditional advances, a kind of mechanism inhibiting the international socialist division of labor was formed during the past decade. It had an especially negative effect on the qualitative parameters of cooperation (structure of mutual deliveries, dynamics of exchange of the most advanced types of articles, and so forth). Since it is a matter of fully equal and sovereign partners, attention should be paid to the internal socioeconomic and other reasons hampering the dynamic development of the mutual division of labor and increase in its efficiency. Here it is necessary, first of all, to discuss the economic mechanisms formed in most CEMA countries, which, essentially, directed economic activity toward the pursuance of anti-import policy in the area of the processing industry, not toward an increase in an efficient and high-quality export. To some extent such an orientation was objectively caused by the

existence in the economy of fraternal countries of numerous shortages, which prompted them to pay immediate attention to the satisfaction of internal needs.

The "anti-import" orientation also received a theoretical corroboration. In our opinion, a dogmatic idea was formed to the effect that in the planned socialist economy there were hardly any surplus investment and other resources, which could be utilized on a more or less wide scale outside it. The construction of a number of joint projects, on which a negligible share of the total investment fund was spent, in principle, did not change the crux of the matter. These measures were aimed not so much at increasing the efficiency of utilization of resources in every country taken separately as at solving the problem of a more uniform distribution of the investment load among states.

In fact, the planned economy is able to master and find application on its territory for the entire volume of resources created by society. They can be distributed throughout appropriate sectors and spheres of production and nonproduction activity. However, the fact that there has been a fundamental difference between absolute and relative surplus resources has been outside the field of vision of most economists for a long time.

This can be explained with a conventional example. Let us assume that a given country is capable of solving certain national economic problems at a specific level by means of big expenditures. However, as practice shows, many of them could be solved with smaller expenditures if resources were used collectively, or by way of bilateral cooperation on the territory of the country, where they would be minimized, or give the biggest return. Therefore, underestimating the factor of relative surplus of investment and other resources objectively hampered the process of their international collective use in the interests of all fraternal countries. Ultimately, this was manifested in a kind of "boomerang effect," when big, by world criteria, expenditures of resources, in fact, led to the squandering of their significant part or fraction (1).

As a result, as often noted in CEMA documents, an unjustified parallelism was formed and incentives for international cooperation were weakened. Moreover, in the economic mechanisms themselves (at least until the 1970's), essentially, there were no effective levers prompting internal producers to compete with producers from other fraternal countries and stimulating the development of international cooperation. To some degree this was (at least at first) the result of a certain reduction of economic mechanisms to one pattern, since at the initial stage of CEMA activity there was only one fully formed socialist economic mechanism of the Soviet Union—the biggest country with a diversified economy.

The weak orientation of national economic mechanisms toward an intensification of mutual division of labor was also reflected in stagnant phenomena in international

cooperation. Moreover, these phenomena along the line of feedback, seemingly, preserved the direction in the development of national economic mechanisms, which stimulated the foreign economic activity of producers and consumers of products and their real interaction in the entire reproduction cycle.

Thus, intensification in production specialization is in itself progressive. However, the insufficient elaboration on a national scale of the problems of its renewal and rise in the technical level poorly contributed to an improvement in the technical and economic parameters of the products produced and mutually delivered to the market. During the first decades of CEMA activity a kind of paradox arose: The longer the period, for which a specialization and cooperation agreement was concluded, which was to ensure a synchronous operation of production apparatuses, the longer the period, for which a distinctive "indulgence" was given for the further preservation of deliveries of products, which, naturally, became obsolete from one 5-year period to another and sometimes even from year to year.

There were also serious shortcomings in the coordination of national economic plans. After the signing of protocols on mutual deliveries for 5 years in advance (which should be considered a positive factor), incentives for structural changes and for a significant renovation of products throughout the 5-year period were reduced. Thereby, the traditional coordination of national economic plans, which was of a discrete nature, left the possibility of returning to the most important problems concerning the structure and quality of mutually delivered products only once in 5 years.

The fact that the share of cooperation measures really directed toward a long-term period was extremely small also had a negative effect on the scale and depth of economic relations among CEMA countries. The problem of the need for the creation of serious prerequisites for the development of international socialist division of labor for 15 to 20 years had already been raised in the Overall Program for Socialist Integration in 1971. Cooperation in the area of forecasting was expanded and mutual consultations on basic problems of economic policy were conducted. In practice, however, the countries' approach to cooperation proposals was almost entirely determined by the needs of the current moment, as a maximum, by the tasks for the five-year plan, but the interests of the long-term period, minus individual projects and measures, were relegated to the background. Strictly speaking, even the specific production and investment measures envisaged by the Overall Integration Program itself in their majority were designed only for 5 to 10, not 15 to 20, years like the entire program, which required their clarification and supplementation after only 5 years.

The shortcomings in the coordination and unification of the countries' efforts in the accomplishment of long-term tasks concerning the development of their economy led

to a number of direct losses and missed benefits. This did not make it possible to fully utilize the capabilities of socialist integration, in particular in such key directions as acceleration of scientific and technical progress and a prompt implementation of a profound structural reorganization of the countries' economy meeting the demands of intensification. Obviously, little attention was paid to the technical reconstruction of the national economy, consolidation of the community's technical and economic invulnerability, and increase in its proportion in world trade.

The reasons for such a situation should again be sought, first of all, in the national economic mechanisms of most CEMA countries. Decisions, most of which were motivated only from the standpoint of a period of 1 to 5, but not 15 to 20, years, were "lowered" to bodies for the management of the national economy and foreign economic relations and to production enterprises and associations. Accordingly, the resource support for long-term measures (for example, envisaged long-term programs for goal-oriented cooperation) was extremely insufficient.

Shortcomings in the forecasting of the national economic development of countries and processes in the world economy, science, and technology also had an effect. In a number of cases the attainment of overstated goals was envisaged in national forecasts, which required a revision of long-term forecasts as early as 1 or 2 years after their appearance. During the preparation of long-term forecasts and the joint forecasting of CEMA members economic processes in the world economy were taken into consideration poorly and mostly formally. Satisfactory methods of mutual coordination of scientific-technical and economic forecasts were not found. Forecasting the development of the most important sectors and types of production is built primarily on physical indicators and does not lend itself to coordination with macroeconomic forecasts. Finally, until recently the conclusions in relation to export opportunities and import needs and other problems and tasks concerning the development of foreign economic relations among CEMA countries and their long-term integration resulting from economic, scientific-technical, and sectorial forecasts were studied very superficially.

The stagnant phenomena in the international mechanism were also connected with the underestimate of commodity-money tools. This is generally known if, for example, the preferential bilateral nature of settlements of accounts, shortcomings of the convertible ruble, system of crediting within the CEMA framework, and so forth are discussed. The fact, which, in our opinion, is significant, that many specific and very important agreements, seemingly, were concluded at an "emotional" level, without proper technical and economic substantiations, attracted less attention. This led to the fact that disadvantageousness for member countries in continuing cooperation in a specific direction was revealed

during the realization of the reached agreements. Significant deviations from the fulfillment of obligations adopted in the course of coordination of national economic plans became the practice. In other words, cooperation developed in two very weakly linked directions. On the one hand, the physical and material aspect of deliveries, in particular of goods most important for the functioning of the national economy, was studied seriously and, on the other, problems of prices and settlements of accounts often were solved without a sufficient substantiation and after the fact. At times the interests of efficiency were sacrificed to the striving for a strict balance of mutual deliveries.

Under the conditions of an incomplete coordination of the activity carried out by CEMA countries at the markets of third countries uncoordinated and differently directed contacts with these countries, objectively, were also transformed into an element of the mechanism inhibiting the development of the international socialist division of labor.

This can be best illustrated, using as an example the big debts accumulated by a number of fraternal countries, which prompted them to give preference to the foreign economic operations that enabled them to earn the freely convertible currency necessary for the liquidation of debts. As a result, many types of goods, which were extremely needed for other partners in cooperation, were removed from the international CEMA market.

The practice of uncoordinated purchases of equipment and licenses of the most different Western firms should also be added to this. As a result, secondary parallelism connected with purchases intended for meeting the same social needs arose. In addition to dissipating the resources of the community's countries this also gave rise to a more significant problem. A number of sectors and production facilities operating with varied equipment greatly differed in their technological concepts from each other. This, in turn, created additional obstacles for the organization of mutually beneficial production cooperation and specialization.

Scientific dogmatism also made a certain "contribution" to the inhibition mechanism. Its essence lay in the fact that many urgent mutually beneficial and voluntary collective actions at times were interpreted in the spirit of encroachment upon national sovereignty. This did not make it possible to set to the proper degree the principle of socialist internationalism against the imperialist principle of transnationalism, had an effect on a slowdown in the processes of international socialist socialization of science, technology, and production, and led to the fact that CEMA members did not utilize their opportunities for strengthening their positions at the world market.

The mechanism inhibiting the development of the international socialist division of labor is manifested in an especially graphic manner during a comparison of production and export. For example, CEMA members produce one-fourth of the world national income, but their

share in the world export comprises 9.5 percent. Turning out one-third of the world production of industrial products, in the foreign economic sphere they have only 10 to 11 percent of the world level of their export. A total of 20 percent of the world agricultural production was transformed into 7 percent of the world export of its products respectively.

The contrast in the area of machine building development is most striking. With an approximate 35-percent share in world machine building CEMA members account for about 9 percent of the world export of its products. Possibly, the production and export of fuel and power products (28 and 16 percent respectively) can serve as the only positive example.

There is an especially intolerable situation with the sale of technologies and inventions. With one-third of the world number of scientific workers and approximately 40 percent of the annually patented inventions, according to tentative estimates, CEMA members occupy less than 5 percent in the world license trade. The share of science intensive products in exports remains extremely low.

Today the most important task of socialist countries lies primarily in ensuring a greater dynamism of their economic, social, and political development. It is clearly formulated in M. S. Gorbachev's report at the 27th CPSU Congress: "The need for such a dynamism is dictated by the concern for the well-being of nations. However, the socialist world also needs it from the standpoint of counteracting the military danger. Finally, this demonstrates the opportunities of the socialist way of life" ["Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuza" (Materials of the 27th Congress of the Communist Party of the Soviet Union), Moscow, Politizdat, 1986, pp 70-71].

The intensification and improvement of economic relations between the Soviet Union and other CEMA members makes the most substantial contribution to the accomplishment of the socialist community's key tasks. The realization of the strategy of accelerating the social and economic development of the USSR on the basis of the mastering of the latest scientific and technological achievements and the maximum possible intensification of public production will lead to a further increase in this contribution.

The 27th CPSU Congress set the task of maximally improving and enriching the economic interaction with fraternal socialist countries and of ensuring a fuller utilization of the possibilities of economic integration in the solution of the most important national economic problems and in strengthening the unity and solidarity of the countries of the socialist community and its positions in the world. The realization of the provisions of the Overall Program for Scientific and Technical Progress of CEMA Members Until the Year 2000 contributes to this.

In the light of the decisions of the 27th CPSU Congress and congresses of other fraternal parties and of high-level collective agreements an all-around elaboration of scientific and practical problems concerning mutual cooperation, as well as of problems concerning an improvement in national systems of management of foreign economic activity, acquires a special urgency.

The urgency of the solution of the indicated problems is manifested with special acuteness at the present stage. We cannot put up with the fact that the major scientific and technical production potential created by the socialist community remained to a large extent precisely a potential, that is, a "measure of the possible," which, owing to a number of reasons (primarily of a qualitative order), was by no means utilized in a full volume both in internal production and, in particular, in the sphere of foreign economic activity. The incomplete and structurally deformed foreign economic realization of the production and scientific and technical potential was felt to a relatively smaller degree under conditions of primarily extensive development, when the growing demand for initial fuel and raw material resources and agricultural products did not encounter perceptible quantitative and price restrictions.

As the reserves of extensive growth were exhausted, the need for a fundamental restructuring of the directions, forms, and methods of mutual cooperation was felt to an ever greater extent. First of all, it was required to overcome the inertia of the intersectorial approach to the mutual division of labor, under the conditions of which the increase in deliveries of fuel and raw material goods in exchange for the output of the processing industry remained the determining factor. It was also necessary to overcome the historically formed organizational and economic separation of scientific and technical cooperation from cooperation in the sphere of production and to create conditions for their systematic integration and thereby also for the transformation of scientific solutions into mutual flows of goods and services corresponding to world standards.

The restructuring of the entire system of mutual cooperation in the interests of developing and mastering the latest types of equipment and technologies was transformed into an urgent task. The transition in practice from an increase in the volume of export and import relations (basically, with an unchanged commodity structure) to their orientation toward the introduction of the latest scientific and technical achievements was put on the agenda of the activity of CEMA countries and bodies.

A thoroughly weighed realistic evaluation by communist and workers' parties of the present reproduction situation led to a fundamental reevaluation of the long-term priorities and current tasks of foreign economic activity. Clarity was introduced into the fact that the prospects for the deepening of the international socialist division

of labor and increase in its effect on production intensification were directly connected with the rates of scientific and technical progress. In turn these rates largely depend on the degree of real integration of scientific-technical, investment, production, and foreign trade cooperation, that is, ultimately, cooperation in the entire reproduction cycle. Preceding experience clearly showed that the isolated (autonomous) approach to individual phases of this cycle did not correspond to the community's long-term needs.

Under these conditions the development (1985) and practical realization of the Overall Program for Scientific and Technical Progress of CEMA Members Until the Year 2000 and the working meeting of leaders of communist and workers' parties (1986) became the new reference point for the development of socialist economic integration and intensification of mutual cooperation. The significance of the overall program lies primarily in the fact that, essentially, it represents the community's collective answer to the technological challenge of the forthcoming decades.

Thus, at the present stage a change in the model of economic growth and mutual division of labor under the conditions of the scientific and technical revolution is a directly practical task and, ultimately, determines the strategy and tactics of economic interaction of socialist countries.

We must clearly visualize the requirements that dictate the directions in the improvement in the integration mechanism at the present stage.

First of all, such shifts in the international socialist division of labor as the transfer of the center of gravity from intersectorial to intrasectorial cooperation (1), increase in the degree of the overall and systematic nature of collectively solved problems, and development of more flexible forms of interaction, which make it possible to more rapidly react to the change in production and consumption needs, acquire great importance. Thus, in 1986-1990, as compared with 1981-1985, the mutual trade turnover of machine building output will increase more than 40 percent and the share of science intensive output in its structure will rise. During the current 5-year period three-fourths of the increase in the commodity turnover will be ensured through deliveries of machinery, equipment, and other finished articles [2, p 17].

The increase in the role of the time factor, which under the conditions of the "innovation race" becomes very significant, should also be added to this. With the systematic orientation of production to the world level, it is necessary to take into consideration the fact that it is highly mobile and directly depends on the growing frequency of the appearance and dissemination of innovations in the world economy. Therefore, it is necessary to organize a regular monitoring of this changing level and to maximally shorten the time for mastering the

output of new products on an optimum scale. The system of management of mutual cooperation formed during the past decades turned out to be insufficiently mobile from this point of view and poorly equipped with modern tools making it possible to dynamize mutual exchange (2).

The accelerated rates of scientific and technical development, rapid changes in consumer demand, and the situation at markets require from production a greater flexibility and the ability to promptly react to the occurring changes. The mobility and flexibility of production increasingly turn into an important factor determining the competitiveness and social and economic efficiency of socialist production and the prospects for its development. A full utilization of the potentials connected with this is impossible without an active and interested participation of direct producers and consumers of products. The expansion of direct relations makes it possible to better recognize (and jointly utilize) the production capabilities of partners in cooperation, to more widely select these partners, to take measures to raise the scientific and technical level of specialized output, to promptly solve specific problems of production cooperation, to exchange scarce materials, modernization equipment, and experience in production organization, and to create mutual interest and responsibility in connection with production itself.

An organic coordination in the sphere of foreign economic activity of the interests of socialist states with the cost accounting interests of labor collectives and the most important economic links constitutes at the present stage the main demand on the economic mechanism of socialist integration and foreign relations as a whole.

The theoretical base of this concept can be formulated in general outline as follows: The intensification of the real international interaction of CEMA members should rest on the development of active production, scientific-technical, and other contacts among basic economic links and all the subjects of economic activity. Only under such conditions can mutual cooperation, including in the area of planning, become truly strong. Figuratively speaking, the interaction "along the perimeter" of national economies should shift deep into national economic complexes, which sharply expands the number of specific "points of cohesion" among the components of the countries' scientific production apparatus and leads to a new quality of their integration cooperation.

It is clear that developing integration "deep into" national economic complexes requires the modification and adaptation of specific tools of the economic mechanism to various levels of interaction of fraternal countries. For example, it is impossible to use in an unchanged way the same forms of planning and calculations during the realization of interstate agreements and direct relations among enterprises. At the same time, all the presently formed tools of multilevel cooperation should possess a certain internal unity and form a single

whole. From this point of view the accumulation and generalization of practical experience in direct relations, activity of bilateral and multilateral scientific production associations, and new forms of cooperation is of great importance. This creates the prerequisites for an extensive introduction into practice of forms of scientific production cooperation, which have proved their value, for the replacement of extensive factors in the deepening of mutual division of labor with intensive ones, and, ultimately, also for a marked dynamization of international trade-economic and production relations. The new concept of cooperation also presupposes an improvement in internal economic mechanisms in accordance with the general line of intensification and an acceleration of social and economic development.

With due regard for the set of all these problems the documents on restructuring the foreign economic relations of the USSR adopted in 1986-1987 by the CPSU Central Committee and the USSR Council of Ministers are of major importance. They contain a set of measures aimed at improving the organization of management of foreign economic relations and their planning and cost accounting and at upgrading the management of economic and scientific-technical cooperation with socialist countries, including problems concerning the establishment and activity of joint enterprises and international associations and organizations on USSR territory.

The creative approach of the CPSU to the development of socialist economic integration also creates favorable prerequisites for a more organic combination of bilateral and multilateral cooperation, because the Soviet Union, owing to its objective status in the community, acts as the main organizer of scientific production cooperation in CEMA.

CEMA members adopted programs for the acceleration of social and economic development on the basis of scientific and technical progress and the maximum intensification of production for the current five-year plan and a longer period. Essentially, it is a matter of revolutionary changes in the economy and in the interrelations of the countries of the socialist community and of their transition to the path of intensification with high rates of economic growth.

Practical work is being done on the Overall Program for Scientific and Technical Progress of CEMA Members Until the Year 2000. Its realization makes it possible to bring fundamental scientific ideas up to specific advanced technologies and to create new generations of highly efficient machines and the latest materials. Owing to the organic link of science with production and to the extensive utilization of advanced equipment and technology, an economic effect is obtained.

For the accomplishment of the tasks set in the Overall Program for Scientific and Technical Progress the socialist community has at its disposal everything that is necessary—from production resources to the biggest

scientific and technical potential in the world—which makes it possible to carry out the most complex fundamental and applied research. Apparently, the 93 key problems singled out in the Overall Program for Scientific and Technical Progress of CEMA Members should also be considered from the standpoint of formation over a long-term period of large international scientific production systems, which, ultimately, are capable of not being inferior in indicators of efficiency and competitiveness to transnational corporations of developed capitalist countries. Naturally, as the already available experience shows, socialist international scientific production systems should utilize the effect of concentration in forms corresponding to the principles of mutual relations among socialist countries.

Footnotes

1. Of course, to some extent certain elements of the inhibition mechanism were also established during the solution of problems concerning the equalization of the levels of economic development in European CEMA countries. Naturally, the countries that inherited from the past a backward economic and scientific-technical base had to overcome this lag. In practice, however, more developed countries were able to give them assistance only in the sectors that were developed in them themselves, that is, essentially, it was a matter of an expanded reproduction of the available production apparatus in more developed countries.
2. In 1985, as compared with 1980, the gross output of CEMA countries increased by 18 percent. During that period machine building output increased by 33 percent. The mutual export of this output rose 54.3 percent, including of specialized output, 88 percent [1, p 94; 2, p 106].
3. In the number of large-scale license subjects offered at the world market and in the technical level of their developments the Soviet Union greatly surpasses many leading capitalist countries, at the same time, being greatly inferior to them in the volume of export of licenses. The extensive utilization by Western firms of the forms and methods of license trade based on the application of modern means of informatics (establishment of international and national "banks of technologies," "banks of licenses," "exchanges of technologies," and so forth) is one of the reasons for such a situation [3, p 45].

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Progress, Problems in CEMA Trade Reviewed
18250024a Moscow KRASNAYA ZVEZDA in Russian
13 Nov 87 p 3

[Article by E. Sheynin, candidate of economic sciences: "Foreign Market Potential. Levels of Integration"]

[Text] Today there is not even one anywhere near large-scale sector of the economy whose progress is not tied to the development of the international socialist division of labor. "We ascertain with satisfaction," observed M. S. Gorbachev in the report "October and Restructuring" "that the revolution is continuing and that our relations with socialist states recently have become dynamic and are improving." Mutual trade occupies a notable place in the economic life of CEMA member countries. Having reached about 205 billion rubles in 1986, it constitutes more than 65 percent of the foreign trade of these countries and about one-fifth of their total national income.

Owing to mutual deliveries, CEMA member countries are satisfying a substantial part of their import needs for machine construction products, fuel and raw materials, foodstuffs, and industrial goods for national consumption. By virtue of these deliveries the socialist community is to a significant degree reliably protected from the negative influence of the unstable condition of the capitalist market and hostile actions on the part of imperialist states.

Advancing rates of growth in mutual deliveries of new technology, machines and equipment, chemical products and consumer products were envisaged in the course of coordinating the national economic plans of the CEMA member countries for the current 5-year period. Measures were outlined that in general would enable supplying the needs of a majority of the CEMA countries in energy fuel and raw material commodities.

At the same time, given the general dynamic development of trade between the fraternal countries in this area of reciprocity, problems have piled up that require immediate resolution. During the course of several recent 5-year periods, the average annual rates of growth of mutual trade have decreased, and the growth structure does not respond to the tasks of intensification of the socialist economy.

The situation that has developed is explained to a significant degree by outmoded methods of management of foreign economic activity in CEMA member countries and by the "gross" approach to evaluating the results of foreign trade. In a majority of cases, economic organizations were removed from direct participation in it. However, the tasks of developing intensive forms of

cooperation and expansion of mutual trade, first of all the export of machine construction products, require their active involvement in foreign economic activity.

Many countries of the community employ measures which enable enterprises and associations to select a partner independently and to resolve all questions of cooperation with the partner, including signing agreements and contracts for the delivery of products and providing related services, determining the economic conditions of cooperation and coordinating the prices of articles being completed in the cooperation, etc. In addition, the partners, naturally, are charged with a great mutual responsibility for the fulfillment of obligations they have assumed and for a speedy achievement of specific results. Several hundred enterprises, associations and organizations of the CEMA member countries have already established scientific and production ties between each other. For example, the protocol on trade between the USSR and the Hungarian People's Republic in 1987 for the first time has a separate paragraph which gives the sum of the goods turnover that should be attained by way of direct cooperative contacts.

The question arises: What do direct ties of economic organizations give to the development of trade between CEMA member countries? Experience gained in this area indicates that the establishment of direct contacts makes it possible for enterprises of the fraternal countries better to coordinate their work and to save time and means in conducting scientific research and design and test work and to utilize engineering ideas more effectively. It becomes possible to respond operationally to a change in partner demand, to turn out products in which the consumer has an interest today, and to coordinate the list of mutual delivery of products produced under cooperation.

It is natural that direct ties and other progressive forms of cooperation will have the expected effect only when they will be developed in the priority directions of science and technology that are determined by the "Comprehensive Program of Scientific and Technical Progress of CEMA Member Countries to the Year 2000." Such parameters, for example, will be met by a robot that is capable of seeing and that is being developed by the Cuban center for comprehensive research in the field of computer technology and technical systems for mathematical support and the Bulgarian "KAM" combine. This robot will surpass the analogs of capitalist production.

A graphic example of how direct ties between the economic organizations of the fraternal countries enable directing production to the expanded export of similar articles is the cooperation between Soviet and Bulgarian enterprises that produce metalworking tools. Such interaction made a significant contribution to increasing the volume of mutual trade in machine tool production during the years 1981-1985 by more than two and one-half times. And cooperation between organizations

of Bulgaria and the GDR in the field of electronics entails computer equipment and office facilities and equipment, communications and heavy current electrical equipment, electronic structural elements, microelectronics and electrical domestic appliances.

Unfortunately, not everything is running smoothly in the development of progressive forms of cooperation. There are still cases of interference by ministries in the process of establishing direct ties between enterprises, associations and combines. Practice shows that the establishment of cost accounting firms in the structure of enterprises or associations is only part of the work in restructuring the management of foreign economic activity. For example, Yu. Blagov, the director of such a firm—PO [subcontracting organization] imeni A. A. Zhdanov in the Vladimir tractor plant, said that all contracts for the current year were completed by the all-union association "Traktoreksport." The cost accounting firm "Vladimirets" whose functions were limited as before to the usual marketing operations were only given supply orders.

Questions on setting prices on mutually delivered parts, assemblies, aggregates and other types of production are proving to be complicated. Partners who have direct ties received the right to establish contract prices in reciprocal calculations. But it is not a simple matter to implement this right. These prices must take into account the real expenses of enterprises and be advantageous to the exporters as well as to the importers. They must be of interest to both in the development of direct ties, and they must encourage the intensification of cooperation. It is important to take all of this into account in the transition of enterprises to cost accounting. The absence of convertibility of the currency of CEMA member countries restricts the possibility of expanding partner cooperation. It is not an easy matter to arrange the activity of a joint enterprise in the mechanism of an economy of that country on whose territory it is located, and to ensure reliable material and technical supply conditions and the sale of products produced in it.

However, all of these difficulties are surmountable, which was shown once again at the 43d (special) meeting of the CEMA conference. The countries of the CEMA community are fully resolved to activate unused potential in order to introduce an effective and flexible system of international cooperation that ensures the further multilateral expansion of economic ties between the fraternal countries and the acceleration of the resolution of their common task of intensifying production.

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Assessment of Realization of CEMA Comprehensive Program

18250028a Moscow PRAVDA in Russian 30 Nov 87 p 5

[Interview by PRAVDA correspondent A. Krushinskiy with key workers A. Maslov and V. Milyayev of the USSR Council of Ministers State Foreign Economic Commission under the rubric "The Community": "A Green Light to Priorities—The Comprehensive Program: Successes, Problems, Inquiry"]

[Text] *Some two years have passed since the 41st (Ex-*

traordinary) CEMA Session in Moscow adopted the Comprehensive Program of Scientific and Technical Progress of the CEMA Member Countries to the Year 2000.

What can be said of the preliminary results of its realization? Are there technical solutions that have, so to speak, already been incarnated in metal? PRAVDA correspondent A. Krushinskiy began a discussion on these questions with A. Maslov and V. Milyayev, key workers of the USSR Council of Ministers State Foreign Economic Commission.

In the CEMA countries, related my interlocutors, hundreds of developments have already gone over into production—the results of collective inquiry. Among them are a computer with a productivity of up to 5 million operations a second, personal computers and complexes of technical equipment for classroom training—all, as confirmed by specialists, corresponding to the best world standards. A freely programmable robot with sensor controls—more precise, reliable and convenient to operate than the analogous equipment in the West—has been created as a result of the joint efforts of specialists from the fraternal countries under the leadership of the Soviet Robot MNTK [Intersector Scientific and Technical Complex]. The Ilmavit-40 fiberglass ceramic, without analog in the world and able to replace metals and at the same time easily machined, has been obtained and can be used in hostile environments. Inquiry in the realm of biotechnology has been crowned with the development of a planting material for potatoes and diagnostic instruments. Joint activity is underway on obtaining vaccines against hepatitis, flu and AIDS using genetic-engineering methods...

All of these, moreover, are just the first steps in the practical expansion of work in realizing the CP STP. The Comprehensive Program, after all, envisages the fulfillment of about 2,800 themes and assignments in creating new types of equipment, technological processes and materials. And, as became clear in the course of the discussion, not everything is going smoothly at all. Due to disruptions in time periods for the signing of contract documents, the organizational period has been dragged out for a number of subjects. Not all developments have proven able to provide a world technical level, in view of which steps must be taken to raise the technical parameters of items being planned. There is insufficient clarity in the organization of specialized and cooperative production of new products in some areas of the assignments of the CP STP. Work on creating joint enterprises, international organizations and collectives of scientists is also unfolding too slowly.

New problems are arising to the extent of increases in the rate of realization of the Comprehensive Program.

My interlocutors noted this fact in particular: the Soviet lead organizations have had to procure various equipment, instruments and prototypes in the CEMA member countries in order to conduct scientific research and

experimental design work. This has fostered an excess of imports over exports and required the adoption of additional measures to balance mutual accounts. Naturally, the realization of the Comprehensive Program cannot be subordinated to the narrow day-to-day commercial interests of individual organizations. In the future, after all, the imbalance noted today will be eliminated at the stage of mass production and export delivery from the USSR to the CEMA member countries of the new products created as a result of the fulfillment of the CP STP targets. Disproportions in the spending of the participants at certain stages of the work, in their opinion, should be considered and eliminated by the corresponding operational organs, while the overall amounts of mutual services should be taken into account in annual protocols on commodity turnover and payments between the countries. In the future, however, the role of the principles of economic accountability [khoz-rashchet] will grow in the mutual relations of the partners in the CP STP. Scientific product will become a valuable commodity, and the economic vested interest of each partner in the results of the work will correspondingly be increased.

Also touched on in the discussion was the question of steps that are now being taken to provide for the timely industrial assimilation of the results of work on the CP STP.

Until the end of the current five-year plan, the scientific research and experimental design work on the overwhelming majority of the problems in the Comprehensive Program should be concluded, and the timely laying of the planning and economic foundation for future production is thus more important. Here in this country, the CP STP has already become the object of national-economic planning. The plan for the social and economic development of the USSR for 1988 in particular includes the most important targets of the program (overall number—32) that have key significance for the national economy in the form of state orders.

Along with this the lead ministries and departments that are answering for the fulfillment of the CP STP have been charged with preparing proposals on a whole set of questions on the industrial assimilation of the results of scientific research and experimental design work. These proposals are planned for coordination with the CEMA member countries in the first quarter of 1988.

The targets of the CP STP that are not included in the composition of the indicated 32 will become the object of planning and resource allocations at the sector and operational enterprise levels. They are included in the state orders for the sub-departmental enterprises and organizations as stipulated by the ministries and departments of the USSR.

It was also agreed by the CEMA member countries at the signing of the Comprehensive Program that elaborations and refinements would be included in it with a regard for

the latest achievements of world science, technology and production. This is an essential condition for ensuring a technological breakthrough in the scientific, technical and economic development of our countries. The resolutions adopted by the recent 43rd (Extraordinary) CEMA Session on earmarking major dedicated scientific production and technological projects in the Comprehensive Program have great significance in this regard. What is the sense of them?

Today the problems, topics and targets included in the CP STP have been "divided up" among five priority areas that are being fulfilled apart from each other, my interlocutors elaborated. The elimination of this isolation, uniting technically mutually connected targets of the Comprehensive Program in several major joint operations aimed at creating, assimilating and producing integral systems of new technology, completed technological processes and new materials under the conditions of their broad-scale utilization in the national economies of the CEMA member countries is being proposed within the framework of those dedicated projects. The decisions that have been made recently in the USSR and a number of the other fraternal states in the realm of foreign economic ties are opening up great opportunities for employing flexible forms of business interaction with the

widespread utilization of such economic tools as common financing allotments, international bank credit, prices, profits, licensing agreements etc.

The question of improving the composition of the executors of the work was touched on in concluding the discussion. Practice has shown that far from all of the lead organizations today are able to provide for the fulfillment of the complete innovation cycle of "science—equipment—production—sales." In the formulation of the CP STP, after all, USSR scientific research organizations were designated the lead organizations in the overwhelming majority of the cases, and they often do not possess the essential experimental-test and production base. This was justified at the stage of scientific research and experimental design work. The stage of industrial assimilation is another matter. It is logical that the guiding role should shift to the scientific production associations, enterprises and intersector scientific and technical complexes. In the USSR, reported my interlocutors, work has already begun on the universal certification of lead organizations, which certification is being called upon to establish the correspondence of their scientific, technical and production potential to the tasks of the Comprehensive Program. 12821

Leasing Examined as Form of Technological Exchange

Moscow *KHOZYAYSTVO I PRAVO* in
Russian No 9 Sep 87 pp 72-74

[Article by I. Mitrofanova, candidate of Economics:
"Leasing, a Promising Form of Technological
Exchange"]

[Text] Improvements in the USSR's foreign economic ties presume a thorough study of leasing, a promising form of technical exchange. Leasing is a contract in which the lessee of equipment is given the right to use it, making periodic payments to the lessor during an agreed upon period. There is no concept of "leasing" in USSR civil law, however, there is the broader concept ["imushchestvennyy nayem"]. This type of legal relationship is defined in Statute 275 of the RSFSR Civil Code, which provides that "the lessor [naymodatel] is obligated to give the lessee [nanimatel] property for temporary use in exchange for payment".

Leasing is most widespread in the U.S., some countries in Western Europe and in Japan. By the mid 1980's leasing in the U.S. amounted to 24.4 percent of total capital investments, in France — 8 percent, in Japan — 6 percent, in Sweden — 5-7 percent and in Japan — 6 percent. In value terms, about 10 percent of the American equipment imported into Western Europe is handled by leases. Government taxation and depreciation policy has a great influence upon leasing in the U.S. and is a factor in the extensive use of leasing to obtain tax and depreciation benefits. The widespread use of leasing in American firms is also shown by the fact that in most specialized U.S. firms foreign operations amount to one half and more of their total. IBM leases about 60 percent of its computer production. Rank Xerox has, to a considerable degree, won a leading position in the world market thanks to the extensive introduction of leased copying machines.

In 1983 American leasing companies leased foreign lessees 10 billion dollars worth of machinery and equipment.

However, leasing has still not found widespread application in the practical work of Soviet foreign trade organizations. A small number of deals have been signed, both in the delivery of machinery and equipment for rental [v arendu] and for their rental to foreign owners. The all-union associations Avtoekspost and Traktorekspost have signed various contracts for the delivery and rental of garage and repair equipment, Aeroflot rents aircraft. Sovtransatvo rents transport equipment. The foreign trade organization Sudoiimport rents [from foreign owners] geophysical survey ships for geological research on the continental shelf around Sakhalin.

Leasing machinery and equipment, in either direction between the Soviet Union and abroad, could help solve several urgent problems in expanding foreign economic

ties between our country and the developed capitalist countries. Unfortunately, leasing is a little used form of foreign economic activity for Soviet organizations. It is therefore necessary to study its advantages and shortcomings in economic cooperation with countries in the West.

The conditions in leasing contracts between the Soviet Union and Western countries correspond to international practice. However, they are greatly simplified compared to the complex types of leasing practiced between capitalist countries. Usually this one-time [razoviy] (or, as it is called in the capitalist countries, operational), in which the relationship between the parties [storony] is determined by the two parties [lits] involved, the lessor and the lessee. Operational leasing is short term, at the most 1.0 - 1.5 years. The most widespread items leased are transportation equipment, containers, copy machines, computers, etc. One feature of such leasing is that the lessee can at any moment terminate the contract by returning the object; all costs for maintaining and repairing the equipment are borne by the lessor, remuneration for leasing is set as a fixed rate, the size of the remuneration is not linked to the usual rule that the sum of leasing payments during the lease period should cover all the lessor's costs for delivering the object. Operational leasing could be of interest to the USSR in leasing highly efficient machinery and equipment which is temporarily needed.

Finance leasing, a special category of financial service, may become the most promising form of leasing for the Soviet Union. This service involves leasing firms purchasing equipment as instructed by their clients. The leasing firm becomes the owner of the equipment. Then the client obtains the right to use the equipment for its economic service life, usually 3 - 7 years. Total lease payments during this period compensate the leasing firm for financing the equipment's purchase, administrative costs, risk, profit and all or a large part of the cost of the leasing. There is a value added tax upon leasing payments. It is either monthly or quarterly and is a percentage of the leased object's cost.

At the end of the leasing period, the lessee can return the object, continue the agreement, replace the object with a new one or purchase it at its residual value.

If, during the term the leasing contract was in effect, the lease payments completely compensated the lessor for the equipment costs, the purchase price may be purely symbolic. Actually, finance leasing is a form of long term credits for purchase, distinguished from usual purchase-sales deals by the time at which the purchaser acquires property rights over the object. The party's rights and obligations for delivery, servicing, all possible guarantees and other essential attributes are identical for finance leasing and purchase sales.

Finance leasing may find use in relations between countries where there is representation by Soviet banks, on the basis of which it is possible to set up leasing firms, or in countries where legislation allows setting up foreign banks, as finance leasing develops mainly within a country's banking system. In practice, it is most realistic for the Soviet Union to have finance leasing arrangements with countries in Western Europe, as the overwhelming majority of Western European countries have mixed companies, while in England, Austria, France, Luxemburg, Switzerland and the FRG there are Soviet commercial banks which are either engaged in organizing leasing operations, as, for example, in England and France,¹ or could, independently or in cooperation with local national banks, set up leasing abroad.

The agreement signed between the FTO Sudoimport and the Japanese Company Sakhalin Sekiyu Kaykhatsu Kereku Kabusiki Kaysya for leasing [from Japanese party] (up to one year) geophysical survey ships to explore for oil and gas on the continental shelf around Sakhalin could serve as the prototype for finance leasing applicable to the Soviet Union. The lease, by the Soviet party, of machinery and equipment for geophysical exploration work is financed by long term credits from the Japanese company, which will be paid off by deliveries of oil and gas from the deposits discovered. This contract expands the obligations of the lessor (the Japanese party). The lessor is obligated to train the lessee's specialists, it assumes insurance for the lessor for at least the ship's value. Also, the lessor is responsible for all defects in the ships and for the installation of geophysical equipment on board. If the ship and equipment break down due to the fault of the lessee, the lessor is obligated to fix them for the lessee if these problems are not covered by insurance.

The advantages of leasing for the Soviet side are as follows: first, the possibility of leasing not only individual equipment, but also complete production operations for up to 10 years and more. Secondly, leasing helps in finding external sources for financing. This is especially helpful in using finance leasing as a source for long term credits for deals. From the perspective of the interests of the USSR national economy it has advantages over the traditional importing of equipment. When equipment is purchased credit is usually extended for up to 7 years, in finance leasing the payment period can be 10-15 years. This installment plan is very important for the Soviet lessee when payments are made from profits obtained from selling products produced by foreign equipment starting with its introduction into productive use. Under this type of leasing it is no longer to make a 10-15 percent down payment for foreign equipment, as credits cover the entire cost of the project and not 85-90 percent, as is usually the case with imports.

Finance leasing makes it possible to pay off 100 percent of indebtedness through product deliveries. It is therefore every effective to use this type of leasing when signing agreements, because this type of payment makes

it possible to more easily save hard currencies. As the complete mastery of capacity requires considerable time and, consequently, after construction is completed, the value of the products produced may not completely compensate for expenses, the foreign exchange spent during the mastery period will be considerably less for leasing than for credit. It is thus possible to more completely pay off indebtedness through product deliveries than is the case with credit. This leads to savings in foreign exchange.

Third, leasing makes possible production without any special capital outlays for new equipment, freeing internal material resources for other purposes. Fourth, leasing is also of considerable interest as a way of obtaining progressive Western technology and as an effective means for mastering and maintaining it at steadily high levels. A study of modern leasing practice shows that there are also prospects for signing "modernization leases" [vozobnovlyayemiy lizing], which makes provisions for the periodic replacement, by the foreign lessor, of leased equipment with more modern. Such "modernization leasing" could be an effective means for developing production cooperation between capitalist firms and the USSR. Modernization leasing is suitable to the Soviet and the Western side only for those kinds of machinery and equipment upon which product quality depends. This type of deal might interest a capitalist firm, as its conditions guarantee the long term delivery of Soviet products meeting quality requirements. As far as the Soviet side is concerned, it would have the possibility of: a. Paying off debts with products, and not foreign exchange; b. Obtaining foreign exchange from selling products on the foreign market through Western firms' retail networks and maintaining technology and the competitiveness of goods at a high level; c. Supplying high quality products to the internal market.

However, together with its positive aspects, there are also several drawbacks to leasing. For the Soviet Union they are, first of all, that total payments for leasing often exceed payments for purchasing the same equipment. It is therefore very important to use the equipment efficiently. If its operation does not provide the needed profits, then leasing payments are harmful to the lessee's financial condition.

Second, leasing is often accompanied by interference in the lessee's economic management activities. This involves regulating the use of equipment, restrictions on the freedom of selecting types of raw materials, suppliers, etc. Third, the lessee can be compelled to pay high rent for a renewal contract and experience a need for this type of equipment if there were not previous stipulations in the agreement for modernization leasing.

However, these negative factors can have a positive disciplinary and organizational effect on the Soviet partner in the implementation of leasing agreements. As a new form of external ties between the Soviet Union and the West, leasing raises many questions from interested

organizations. However, all difficulties are easily solved and should not interfere with the extensive practical use of this progressive form of foreign economic cooperation.

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Welding Institute Enters Foreign Market

18250029 Moscow IZVESTIYA in Russian 28 Nov 87
p 2

[Article by M. Khromchenko "The Academy's Trading Firm;" first paragraph is an introduction]

[Text] In Moscow, at the Soviet International Center, a press conference was held for Soviet and foreign journalists on the opening of a permanent trade mission of a new foreign trade firm, the VTF [Foreign Trade Firm] of the MNTK [Interindustry Scientific and Technical Complex] "Electrical Welding Institute [IYeS] imeni Ye.O. Paton." At the same place, an exhibition and sale of books and promotional material was organized, and a scientific seminar was held. Opening the seminar, the famous institute's director, Academician B.Ye.Paton, spoke about the MNTK entering the international market with science-intensive products that are equal, or superior, to similar products elsewhere in the world.

This is not an ordinary event: it does not occur every day, not even every year, that a country registers a trade mark that has won the approval of its business partners long before the registration itself takes place. It is enough to mention that 2,500 patents bear the institute's name. Some 500 of them remain active.

This success began at a modest electrical welding lab set up by Paton-senior under the auspices of the Ukrainian Academy of Sciences. Half a century later, Paton-junior heads an interindustry scientific and technical complex, which comprises not only engineering centers and experimental plants (its own!) — which is unusual for an academic institute — but also enterprises belonging to three ministries... It is not an accident that Britain's GUARDIAN in its November 6 issue declared that the well-known Paton Institute was able to build a unique bridge over the gap that separates the development of technology and industrial production.

In the past year alone, the foreign trade firm of the MNTK "IYeS imeni Ye.O.Paton" earned for the Soviet Union some 1 million [rubles] in convertible currencies and several million from trade with socialist countries. Yet, the hard-currency receipts of the MNTK itself did not increase. Next year, the situation will change: the new VTF will get up to 80 percent of the sums earned from licensing, and up to 50 percent of those earned from the sale of machinery, equipment, and materials.

On November 26, the new VTF signed another contract, this one with an Indian firm. A group of institute employees is getting ready to leave for India to set up there the production of high-quality submerged arc-welded metal.

It is most profitable to sell finished goods, and full ranges of them. To do this, one must form partnerships with other leading engineering and industrial firms in this country and abroad. By joining the efforts, it is possible to build generations of multinational machinery, combining best qualities of different partners. The new firm will seek out partners, primarily among machine building firms, settling with them in the hard currency it will earn. This will complete the chain which goes from science to technology to production to sale and to service.

The ability to conduct independent export and import transactions, i.e., the "two-way movement," will allow the VTF of the MNTK "IYeS imeni Ye.O.Paton" to get new partners, hard currency, and electronic equipment. The institute needs all that to widely reproduce the results of its fundamental research and project designs. Moreover, the entry into the international market, which always plays the role of an independent expert, will force the staff of the institute, already highly demanding, to raise even higher the standards by which they judge themselves. It is clear that to maintain the leadership in competing with equal partners and rivals can only be done if this remains a constant goal.

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Armenian Problems in Foreign Trade Area Examined

18250035 Yerevan KOMMUNIST in Russian 4 Dec 87
p 3

[Interview with A.L. Sarkisyan, agent of the USSR Ministry of Foreign Trade in the Armenian SSR Council of Ministers, by KOMMUNIST correspondent V. Sarkisyan, under the rubric "Interview on an Urgent Subject: "Imports Begin With Exports"]

[Text] The national economy is taking on new forms. The economic system is reaching a point at which foreign economic activities are particularly important. For many years raw materials made up the exports. Our republic does not have such resources as lumber, oil, coal and gas. This does not mean that the Armenian SSR should remain on the sideline when it comes to foreign economic relations. The time has come to develop foreign trade operations. This involves consumer goods, machinery and equipment. Exports are acquiring a particularly important role right now. All of us are interested in imports, and every branch needs them. The foreign market has its own laws of development. One of them is that one should not come to the market with empty hands, that before he buys he should think about what he can sell. Questions pertaining to our republic's foreign trade policy are the

subject of an interview by a *Kommunist* correspondent with A.L. Sarkisyan, agent for the Administration of the USSR Ministry of Foreign Trade in the Armenian SSR Council of Ministers.

[Question] What does the restructuring of foreign economic relations consist of on the scale of a single republic?

[Answer] During the past year the national government has passed more than 10 decrees pertaining to the restructuring of the entire system of foreign relations. This is making it possible to extensively democratize all of the activities of the foreign trade organizations. I would single out two important factors. The first is the independence of ministries and enterprises in foreign economic activities and the creation of the preconditions for expanding business contacts. The second is the significant simplification of the procedure for conducting all foreign trade operations. The organizations are now authorized to establish direct ties without coordinating the matter with higher authorities. This is extremely important, because previously this long process of coordination within the republic was then continued in Moscow, and everything was dragged out interminably. The enterprise lost its incentive to continue expanding exports. Today, however, everything depends upon the interest of the manager himself. Self-sufficiency in foreign currency is an attractive prospect. Furthermore, payments to the Council of Ministers and to the Union and republic ministries to which the enterprises are subordinate will be insignificant. We can see that the changes have affected all aspects of foreign trade relations, that literally all of the barriers which had previously prevented them from developing have been removed.

[Question] I recall that just recently almost all of the enterprises had special display boards indicating the nations to which our republic exported its products. This was thrilling. It evoked pride. And well it might. Once backward Armenia was sending its products to more than 60 nations. The excitement has died down today. Many people realize that individual products have lost their ability to compete in the foreign market. Who is monitoring the entire export process and correspondingly developing future areas?

[Answer] This is perhaps the most pressing issue. There is no specific organization, even though one is needed. There is a commission in the republic Council of Ministers. It is expected to monitor, coordinate and direct foreign trade relations. A single worker handles this in Gosplan. The situation is the same in the Council of Ministers. There has been a big delay in deciding on the establishment of a special department in Gosplan. There is a great need to work out the concepts for developing the republic's foreign trade relations and an integral system for directing this work.

Authority has now been granted to establish republic foreign trade associations (RVO). An association cannot develop ties without a planning department in Gosplan, however. Such associations are already successfully functioning in some republics. Our Armenintorg exists only on paper, however. We need initiative and competent work. A properly organized RVO could increase the export potential and the entire foreign trade turnover several times over. Not to mention the interest which Armenian businessmen in the West are now showing in us. Many worthwhile suggestions are coming from them. Even the cooperatives are authorized to have direct ties and engage in joint activities today. I read in the republic press about the resistance the cooperatives are encountering from local authorities, however, and it is clear that they are a long way from establishing international ties.

Now let us get back to the first part of the question. Republic exports make up 1.1 percent of the total commercial output. This is a meager figure. One cannot even console oneself with the fact that the situation is still worse in other republics. More than 100 enterprises export 120 different products to 55 nations of the world. These include developed capitalist nations. These nations account for an insignificant portion of the exports, however. We are mainly oriented toward the markets of the socialist nations. One also has to be troubled by the fact that there seems to be no tendency toward growth or renewal of the product list. How else does one explain the fact that only nine new items have been added to the export list in the past 2 years? Unfortunately, we have also not developed the licensing trade during this period.

[Question] What is causing this?

[Answer] The causes are the same as 10 years ago. The products cannot compete. The enterprises do not consider the basic demands of the foreign market or product prices. In many cases the wholesale prices so greatly exceed world prices that representatives of the foreign companies will not agree even to sit down with us at the negotiating table. The defective management system results in significant labor outlays, which produce the high cost. Take crystal items, for example. They are far more expensive here than in neighboring republics. The time factor is also having a harmful effect on these relations. A product can become obsolete before an enterprise masters its production. The establishment of an RVO would make it possible to efficiently resolve all of the questions.

[Question] One rarely encounters a manager who would not fight to acquire imports. Unfortunately, one has just as frequently encountered the depressing situation in which uninstalled equipment stands rotting under the open sky. The loss is considerable. Who monitors this process and brings to account those responsible for such mismanagement?

[Answer] I believe that economic self-sufficiency itself contains a mechanism which rules out this sort of thing. Ministries previously forced imported equipment upon the enterprises. A manager would order one thing and receive something totally different. He lost all interest in the fate of the machine-tools and production lines. The currency was simply thrown to the wind. This is perhaps why the ministries did not punish the remiss very severely and closed their eyes to the mismanagement. The situation has changed drastically today. The enterprise acquires imports "with its own" money and is unlikely to squander its currency. Incidentally, the RVOs are required to help with the acquisition and the rapid and effective mastery of the imported equipment and with the efficient use of the raw and processed materials and others goods acquired.

[Question] The export plan is a burden for many managers. They try by fair means or foul to reject it. This is not just a matter of what this or that manager wants. It is more a matter of the product's not being capable of competing.

[Answer] Unfortunately, that is true. How does one get the manager interested? This is a very complicated question. There are no ready formulas. We have to overcome the inertia in thinking and to abandon old categories. In contrast to last year, this year's plan for exports of machine-building and electrical engineering products is not being fulfilled. Gospriyemka [State Acceptance Commission?] makes adjustments, and we let down our partners. This is a certain sign that there will be fewer orders for the machine-tools involved next year.

The enterprise should be given a fixed assignment. Foreign economic ties are not a goal in and of themselves. Their end result is improved quality and product renewal. With currency self-sufficiency the enterprise can not only acquire machine-tools and equipment but can also use the money for social needs. The latest decrees open up extremely broad possibilities. How else can we get the manager interested? We need initiative, boldness and faith in our own strengths and capabilities. I sense a complacency when I talk with the managers, which will lead to nothing good. Inaction is an extremely dangerous symptom in these matters.

There are more than enough facts to bear this out. The republic's Ministry of the Construction Materials Industry has enormous possibilities for increasing exports. Furthermore, there is every basis for believing that we could have a monopoly on exports of perlite products. We are now selling perlite as a raw material, however. Why do we do this? We export perlite in the fraction in which we extract it, but we need to produce various fractions and products. This would be far more effective and would make it possible to increase the flow of freely convertible currency several times over. We simply have to arrange for its processing. The ministry is doing nothing, however. This can be called nothing other than

a clear example of extreme mismanagement. Those in charge at the Ministry of the Construction Materials Industry are well aware that foreign companies are interested also in other types of products in their line, after all, but there is no hope that the ministry will begin to deal seriously with these issues. Take the situation of mineral water, for example. The republic has an enormous reserve, but the water flows off irretrievably and, figuratively speaking, currency is flowing out of our hands along with it. The State Agricultural Committee says nothing. How long will this go on? Until someone does everything for us? But our comrades are aware of the needs of the clients. Why not find the means to perform the construction and organize the matter properly? There are also other kinds of examples demonstrating our foolishness with respect to expanding business contacts.

[Question] Is there a legal mechanism for punishing the remiss, those who are unable to calculate their own benefit?

[Answer] There are only fines. But what are they producing? The situation is getting nowhere. We have raised these questions more than once at various levels. They agree with us verbally and make promises, but that is as far as it goes.

[Question] Still, there are many collectives in the republic which could cooperate successfully with similar enterprises in the CEMA nations and in the West. International division of labor is a powerful means of enhancing production effectiveness.

[Answer] Talks are underway. They are at the stage of preliminary study. Around 20 enterprises have shown an interest in setting up joint production operations. Specifically, however, we say only that the Armbytkhim Production Association together with our Polish friends are going to set up the production of detergents and perfumes here. The Charentsavan Machine-Building Association together with a similar enterprise from Czechoslovakia are to begin designing and producing a horizontal boring machine, and the Armstanok Scientific Production Association and a Bulgarian institution are planning to design and produce electrochemical treatment and other types of machines. I could not fail to mention the constant work performed in this area by two ministries: the Ministry of Light Industry and the Ministry of Local Industry. One senses that they are taking a serious and thoughtful approach to the matter.

[Question] And what about personnel? We obviously need competent specialists with practical experience. There is no denying the fact that the foreign market differs greatly from the domestic market. Your people are competent and could teach the managers some things about this.

[Answer] Here is a simple example. The Administration of Foreign Relations was set up in the State Agricultural Committee, and the work was begun... by engineers and philologists, who—through no fault of their own, of course—do not understand the specifics. We have a small team. Only 12 workers deal with operations and provide on-site assistance. We cannot cover the entire republic, however. For many years graduates of the Academy of the Ministry of Foreign Trade were unable to find jobs in their field in the republic. It is particularly important today to consider this factor when selecting workers for the RVOs.

Summing up what we have said, I would point out once again that we have something to trade and we know how to develop operations in this area. Every manager needs to think more about exports than imports. And he needs to actually implement the program.

11499

Foreign Trade Experience of Estonian Ministry
18250031 Tallinn SOVETSKAYA ESTONIYA in
Russian 8 Dec 87 p 2

[Article by L. Kolk, chief of the Technical Department of Estonian SSR Minmestprom [Ministry of Local Industry], under the rubric: "The New Economic Thought": "The Ministry and the Foreign Partner"]

[Text] Negative phenomena and trends that have been observed in the nation's economy in the last decade have led to evidences of stagnation, even in the country's economic activity abroad. Enterprises that supply output for export have not been motivated to expand their production. Export prices are formulated without the suppliers' participation, and the currency earned has been distributed also without their participation and without taking their interests into account. All this has led, in the final analysis, to a loss of motivation in regard to export shipments.

Take just this example: The Tootsi Production Association has for many years furnished peat products for export and has earned no small amount of convertible currency for it. At the same time it has not been able to supply itself even with spare parts for its equipment, since spare parts have not been placed on the products list of the foreign-trade association Novoeksport, which sold the peat abroad. These and many other examples similar to them could be cited.

Despite this overall situation, which has been characterized by a slackening of foreign economic activity, the ministry's enterprises have worked fairly successfully in recent years. Along with the development of production and a rise of its technical level, our foreign economic potential also has grown. The enterprises' workers, engineers and specialists have created in the last decade a large number of new, including basically new, items.

Static and inertial automotive safety belts, mechanical, electromechanical and electronic toys, and photo-flash bulbs produced by the Norma association, Salvo sports footwear (mountain-skiing and hockey shoes), "poly-film" wallpaper, bristly floor covering and numerous Polymer toys, products based on polyethylene film and textured plastic of the Tartus Experimental Plant for Plastic Articles, assorted glass dishes of the Tarbeklaas plant, many household-chemical items of the Flora association, and a large number of other items—all these are items which are being sold successfully in our country's trade network—have achieved renown in our country and abroad. Many of the enumerated articles are either close to or better than world models, or have reached this level and are competitive on the world market.

These successes were achieved as a result of maximum use of the opportunities for technical progress and the internal reserves available to us, and also through the persistence of our specialists.

One of these successful operations, and it was also our firstling, was balanced production cooperation in the manufacture of safety belts that we effected between the Norma association and a Swedish company back at the start of the current decade. This was an important success, because it signified also recognition of our technological-design level from the standpoint of the world arbiters of design of all types of safety belts—the Swedes. In the ensuing years this collaboration has been expanded and has acquired a licensing nature on a long-term and mutually advantageous basis with a constantly growing volume.

This cooperation enabled no small amount of foreign currency to be saved, and much more could have been saved if the safety belts had used domestic belting instead of belting obtained by importation (at a fairly high price). Is it not time to ask why it is that USSR Minlegprom [Ministry of Light Industry], in accordance with the highest criterion, and, indeed, the organizations and enterprises subordinate to it, have not been able, for more than 10 years, to resolve this problem—that of arranging for the output of high-quality domestic belting.

Using the experience of the Norma association, production cooperation of the Vazar association with an FRG company in the output of gasoline lawnmowers with an internal combustion engine, and so on, was arranged.

Searches for new types of foreign economic activity have enabled the experimental tooling plant Pioneer to establish a technical center for training specialists in the operation of highly productive NC machine tools. Pioneer specialists underwent training in setting up and tending these machine tools in Switzerland. Right now they are helping to install similar equipment at other enterprises of our country and to train new cadres of specialists at

their technical center. While developing this collaboration, a contract was signed under which the Pioneer plant performs warranty servicing of all machine tools of the given type imported into the USSR.

This is a mutually advantageous form of collaboration for which the plant will obtain convertible currency, which is needed so much for industrial reequipping.

All the above-mentioned examples testify that, even before the start of the foreign economic restructuring, our specialists did not sit with arms folded but sought a way out of what sometimes seemed to be a hopeless situation. And they found it.

The publication in August this year of two CPSU Central Committee and USSR Council of Ministers decrees started a radical restructuring of the administration of foreign economic ties.

The first decree touched on improvement of the administration of foreign economic ties, the second on collaboration with socialist countries based on converting from traditional forms of trade relations to deep specialization and cooperation. I will take the liberty of recalling some of the more important features embedded in these decrees. First, the number of agencies, organizations and enterprises that have been granted the right to engage in foreign economic activity has been expanded. Second, the principles of economic self-sufficiency, currency self-reimbursement, and self-financing have become mandatory for foreign economic ties; suppliers of output for export create their own currency funds, while the ministry creates centralized funds. Higher organs do not have the right to siphon off currency resources from this fund or to restrict their use. And third, enterprises have the right to determine the best terms for export of their output that will enable the greatest currency proceeds to be obtained.

What is the ministry doing to implement these decrees?

A Minmestprom order grants tens of our production associations and enterprises the right to maintain direct communications with enterprises of socialist countries, to invite and admit specialists from the socialist countries and to send their own specialists to these countries through in-house currency reserves. The ministry has installed an international telex by means of which business information can be exchanged in timely fashion with foreign firms and so on.

New documentary guidance provides a simplified procedure for processing specialists for business trips abroad, and the time taken to get exit documents has been reduced to a minimum. The procedure for issuing foreign currency at the Tallinn Division of USSR Foreign Trade Bank has been simplified, and so on.

I will cite these examples: in order to take a business trip to Hungary in October 1986, three of our enterprise's specialists had to be processed and numerous documents had to be reprocessed, during which more than two years had elapsed. And here is a second, later example: one American company was interested in our factory's pianos. They bought samples, tested them, made a certain modernization that took into account the specifics of their market, and on 20 October of this year they prepared their proposals so that our pianos would go to the American market on the basis of cooperation. Only a few days were required to prepare for the meeting of our and the American specialists in Sofia. The meeting was held early in November this year, and it yielded positive results.

Based on the simplified procedure for making business trips, in 1987 alone about 60 of our enterprises' specialists have gone on foreign business trips and during this same period more than 300 foreign specialists were admitted by our ministry's enterprises. Some of these meetings yielded concrete results—the signing of some contracts about direct ties: the Flora Association with the Sokolov Chemical Plant (the Czechoslovak Socialist Republic) for the production of exterior paints; the Norma Association with the Budapest industrial cooperative Fotoelektronik (the Hungarian People's Republic), for the output of radio-controlled toys and other consumer goods; and the Tartus Experimental Plant for Plastic Articles with the chemical combine Yugoplastika (Socialist Federal Republic of Yugoslavia), for the output of consumer goods made of plastic.

In speaking about collaboration with industrially developed Western countries, the recently signed agreement about production licensing cooperation for the output of flash bulbs with the well-known West German company UNOMAT should be noted. The agreement will enable the Norma Association to take sharp scientific and technical leaps and will enable them to give their closest competitors the slip by more than five years.

It would seem that everything is proceeding normally and there are no special problems. But this is not so, for there are problems, unfortunately, among which are those which are of a protracted nature and are a continuation of the past's command-type administrative methods for management.

Some of our enterprises produce competitive products that foreign firms want to buy, and they are agreeable to paying for them with hard currency. But we do not sell them, not because we do not want to sell but because we cannot do it, for we do not actually control this output—the funds administrators are the Union and republic organs, right up to Gosplan and the Council of Ministers of the USSR. They propose that we execute (and even develop) exports through residual resources, that is, through above-plan output. This right here is the main brake, for producing something above plan means having the additional raw and other materials, which the

ministry does not control. And as long as this is the case, this brake will not be eliminated and restructuring in foreign-economic policy will not bring the expected results.

The development of direct ties, which we have just begun to engage in, now puts us at a dead end because of a number of anomalies that are found in existing statutes. These include a lack of improvement of the economic mechanism, both at the republic and Union levels and at the CEMA level. The economic, legal, organizational and other norms introduced in our country in regard to foreign economic questions do not jibe with the counterpart norms of the socialist countries.

I will explain. Many Soviet enterprises, as is well known, have been given the right to produce independently for foreign markets. But the laws of some other socialist countries, the Czechoslovak Socialist Republic for example, do not allow this, braking the process. At the same time the rules of many socialist countries require that a certificate be made out for some articles, to confirm that the product is of high quality. We have encountered this rule for the first time. And so on and so on.

The process of redistribution of the export and import products mix is going on slowly, especially in regard to the transfer of functions to newly created foreign-trade associations. The latter, which in our republic include the Estimpeks Association, still have not defined their operating style. The impression is created that we have obtained in the form of Estimpeks a new administrative superstructure which issues orders, gives instructions, and so on, but no more. It is clear that restructuring is

not occurring, as they say, "overnight," and there can be both blunders and shortages. But there should be as few as possible. Meanwhile, a large number of instances put one on guard. These are the premature (and not extremely correct) interference of Estimpeks in the operation of selling products of the Tallinn Piano Factory to an Italian firm, and unjustified delay in the preparation of papers for the shipment to Czechoslovakia of polyethylene packing material. For no reason at all the contract on cooperation with a Swedish firm was not extended, by virtue of which Norma was put into a critical position: export cooperative shipments were threatened.

Through the incompetence of Estimpeks workers, a contract with another Swedish company for the delivery of peat output of the Tootsi Association was not concluded, causing the loss not only of foreign currency but also the right to be called a reliable partner. These cases lead increasingly persistently to the thought: is it not time to grant Estonian SSR Minmestprom the right to establish direct production, scientific, technical and economic ties with companies and organizations of capitalist countries that would bypass Estimpeks?

It is absolutely clear that the new foreign economic policy requires both restructuring of the thinking process and new knowledge, and also the abandonment of conservative habits.

But it is felt, overall, that a fresh wind is blowing in the sail of foreign economic and scientific and technical ties, and that perestroyka is under way and gathering speed in this area.

11409

**TASS Cites RUDE PRAVO Article on 1968
Events in Czechoslovakia**

18070057 Moscow PRAVDA in Russian 5 Jan 88 p 4

[TASS Article; "A Historical Lesson. RUDE PRAVO on the 20th Anniversary of the January Plenum of Central Committee of the Czechoslovak Communist Party"]

[Text] The January 1968 plenum of the Central Committee of the Communist Party of Czechoslovakia [CPC] is an important and at the same time a very contradictory event which in the years since deserves attention and study. On one hand, a positive program of further socialist development of the CSSR was introduced at this plenum. On the other hand, a right-opportunist group was formed during the plenum, which, as the further course of events showed, under the cover of the slogan "correcting the mistakes" unleashed an attack against the Communist Party, the socialist system and the Soviet Union, writes today's RUDE PRAVO in an authorial article on the 20th anniversary of the January (1968) plenum of the CPC CC.

In the 60's, the CPC CC organ continues, the development of socialism in the CSSR demanded an improvement in the methods of implementing the leading role of the Communist Party. However, the leadership of the CPC, headed by A. Novotny, did not cope with the responsible tasks of the time. The accumulation of mistakes led to a stagnation in the development of society. Proclamation of unrealistic slogans discredited the party in the eyes of public opinion and undermined its ties with the workers and their faith in the policy it was carrying out.

The Marxist-Leninist forces in the party recognized the seriousness of the situation taking shape and demanded changes. However, the leadership of the CPC, in whose ranks differentiation was occurring, was not able to support this healthy trend arising in the party, and turn it into a bearer of socialist progress. The political course was determined first of all by the views of the then first secretary of the party Central Committee A. Novotny. The search for a way out of the situation taking shape was concentrated on removing him from the leadership position in the party.

The activity of the CC and its organs were in the center of attention at the January plenum. A. Dubcek was elected to the post of first secretary of the CPC CC, which was the result of a compromise reflecting the relations in the party leadership at the time and the striving for unity in the elections.

An evaluation of the significance of the January plenum of the CPC CC, the article further points out, was given in the document "Lessons of the Development Crisis in the Communist Party of Czechoslovakia and Society After the 13th Congress of the CPC", which was adopted

unanimously by the party Central Committee in December 1970. It gives a complete picture of the unfavorable development of that period. The just conclusions of this document, proven by time, are applicable for today as well.

In the "Lessons" it was plainly emphasized that "January was unnecessary." But what is able to influence this statement is the fact that the results of the January CC CPC Plenum were to a large degree contradictory and the leadership, which had been trusted to implement the January program, was not heterogeneous and, in the political plane, was disunited and weak.

As RUDE PRAVO further indicates, what was particularly serious was that on the basis of the January plenum's resolution, a real program had not been worked out, which would answer the new conditions and determine the clear goals of further development in the economic, social and cultural spheres.

The threat to the foundation of socialism gradually arose and grew. This was the result of the formation, directly in the party leadership, of a right-revisionist group, which tried, with the use of demagogic slogans, to revise the general line of the CPC and to destroy the political structure of socialist society in the name of petit bourgeois elements and a change in the foreign policy orientation of the CSSR. At the same time this group opened up a field for the activities of anti-socialist forces.

A. Dubcek personally bears great responsibility for such a development of events. He at first made unprincipled concessions to the rightist forces and later, as a result of his unprincipledness and capitulation, became a screen for them.

The right-opportunist and anti-socialist forces forming a political bloc, it says in the article, differed from one another in ideology and tactics. But the common struggle against the Marxist-Leninist party, against socialism and the Soviet Union, united them. Therefore, this political bloc found multi-faceted support from international imperialism, which had recognized the possibility of carrying out in the CSSR the plans which it had nurtured in relation to the whole system of socialism.

The anti-socialist forces in the CSSR, like the counter-revolutionaries in Hungary in 1956, stipulated that if their plans were faced with opposition, they would unleash not only moral, but physical terror against those citizens, faithful to socialism. In the summer of 1968, Czechoslovakia was on the brink of counterrevolution and the political forces capable of countering it were splintered.

In these conditions, the internationalist aid rendered to the CSSR by the fraternal countries foiled the plans of the right-wing and counterrevolutionary forces and created the transitional conditions which allowed the socialist forces in Czechoslovak society to revive the structure of the political system of socialism, to strengthen socialist legality and law and order, and to return tranquility to the country, necessary for further development of its material and cultural values.

We are evaluating the events of 20 years ago proceeding from qualitatively new historical conditions. Since that time when the party and society succeeded in overcoming the period of crisis, our country has traveled a significant road. Development led to new conditions which placed new tasks before the party and society. The recent December (1987) plenum of the CPC CC adopted a comprehensive program of transformations.

The basis of this transformation, headed by the Communist Party, is comprised of economic reform and implementing radical changes in the system of management, deepening socialist democracy, changing over from administrative to economic methods of management, eliminating obsolete practices and stereotypical thinking which have outlived themselves, inherent in the extensive methods of management. In this, with all certainty, we are in agreement with everything positive connected with the events of 20 years ago, with the programmatic decisions of the January (1968) CC CPSU Plenum and with the main and most serious lessons of that time regarding the tasks of the party in creative application of Marxist-Leninist theory and principled reaction to the demands of development, constantly strengthening our links with the people and developing socialism and socialist democracy.

Our ideological and class enemies, in connection with the events of 20 years ago, are trying to prove that everything the opportunists and revisionists strove for in Czechoslovakia in 1968 supposedly looks like the restructuring taking place in the Soviet Union and the efforts of the CPSU following the 27th congress. The right-wing forces in Czechoslovakia tried to subvert socialism, to develop what can only be called counterrevolution. The program of restructuring in the Soviet Union, and now in our country and the other socialist states, is a program for the development of socialist, of socialist democracy.

The attempts of those politically bankrupt forces of 1968 to use restructuring for their own goals, to stir things up politically and to rehabilitate themselves are a phenomenon of a crudely distorted understanding of restructuring, of an attempt to connect it with a policy which suffered its downfall 20 years ago.

At the recent December Plenum of the CC CPC, CC CPC General Secretary M. Jakes clearly and plainly stated that the hopes for the rebirth of such a policy do not have a chance. In the course of deepening the process

of democratization of society and broadening self-management we will firmly rely on socialist principles, RUDE PRAVO emphasizes in its article.

Joint Construction Project in Bulgaria Has Problems

Moscow PRAVDA in Russian 19 Oct 87p 5

[Article by L. Zhmyrev: "Problems of the Joint Project — The Project Was Near Silistra"]

[Text] Maps show that this area is the part of Bulgaria nearest to us. On the western fringes of Silistra a paper mill, part of the country's largest LPK [Forest industry combine], is being built with Soviet assistance. This is a project of national importance, costing more than 500 million lev to build. Other countries in the fraternity are interested in the project. This plant is to produce thin, chalk coated writing paper, shortages of which are experienced by many.

However, there is a problem: the combine's construction is taking too long. I was in Silistra five years ago and wandered around the empty site where the paper mill should have stood. Even then equipment was arriving from the USSR, mainly from Petrozavodsk and Dnepropetrovsk. There were hundreds of freight cars full of equipment, thousands of tons of metal, embodying the intense labors of Soviet machinery builders. A sizable share of this equipment has still not been installed: 2,000 out of 6,300 tons!

Recently there was an uproar from the local press in Silistra. In the paper *Trud* there was a series of articles under the general headline "Equipment in a Condition of Clinical Death".

The sad fate of the Silistra LPK had come to light. They started building it back in 1972. The first object, a repair-machine shop, was built quite quickly. Then began a prolonged discussion about the fate of other objects — the paper mill and the pulp and cellulose plants. These discussions have still not been completed.

A new group of people was sent to Silistra. Their first impression was a joyless one. On the banks of the Danube, hundreds of boxes full of machinery stood and laid in a huge area enclosed by a wire mesh fence. Some were under tarpaulins, some simply in the open. Some still had fresh boards, others warped, darkened from the wind, rain and frost, with the barely discernible marks of the shippers: Selkhozpromeksport and Neftekhimpromeksport.

B. Ivchenko, the leader of the group of Soviet specialists, pointed out: "This is only part of our equipment which is, so to say, "sitting around". The other wave is in a closed warehouse. These are complex, temperature and moisture sensitive units and components, made with plastics, rubber, alloys and equipped with hydraulics."

In our first local discussion about Silistra we will attempt to look at things from a broader perspective. After all, the paper mill is only one of several projects built in Bulgaria with Soviet assistance. In 40 years of cooperation about 300 have already been completed. During the current five-year plan it is planned to build more than 100, large and small.

It would be wrong to be entirely doubtful about the efficiency of our cooperation. The facts vividly prove it. With technical assistance from the USSR giant chemical, power engineering, metallurgy and machine building plants have been built and are operating in Burgas, Kozloduy, Pernik, Kremikovtsiy, Ruse and many other cities.

These plants produce about two-thirds of all industrial output in Bulgaria, including 85 percent of its electrical energy and nonferrous metals, 95 percent of ferrous metals and 65 percent of its chemicals. Thanks to these plants Bulgaria has been transformed from a backward agrarian country into an industrially developed state.

Soviet specialists have been of considerable help to their Bulgarian friends in training qualified cadres, mastering capacity, improving labor productivity and product quality at the jointly built projects.

This is true, but this song has been sung before. For a long time now we have been jointly building and slowly mastering capacity. The Silistra paper mill is vivid proof of this. Why is Soviet equipment sitting here year after year. We will attempt to find out.

I. Gerasimov, director of project investment: "We drove the first pilings for the mill in 1983. Then there was a halt. Financing was curtailed, people were taken away to work on the nuclear power plant at Kozloduy. Soviet specialists were not at fault here. They did everything possible. Not wasting this extra time, they trained future Bulgarian specialists."

"Incompletion is the most urgent problem in the district [okrug]," said Teodora Toneva, secretary of Bulgarian Communist Party's Silstra Okruzhkom [Okrug committee]. We do not shirk responsibility for the delayed project. However, does the pace really depend on us alone? Sometimes things are not available. Most importantly, we were not clear about the LPK's fate."

The Bulgarian paper *Trud* wrote: "Because of changing concepts in planning organs, the construction of the paper mill in Silistra was not balanced against possibilities. Finally, early in 1986 the office of the Bulgarian Council of Ministers reviewed the questions concerning the future LPK. It was decided to accelerate construction. However, this had no noticeable effect."

It is time, however, to let the reader know that in spite of all its notes of concern, an optimistic finale is intended for this story. In the warehouses built on the Danube

banks after the examination I did not see empty production areas, but Bulgarian builders and installation workers working at full swing. They had succeeded in pouring the foundation for almost the entire 100 meter length of the paper making machine.

Recently there was a sharp turn in events. The situation at the project changed for the better. By the end of the year it was decided to produce 1,400 tons of paper.

I asked many people: What was the reason for this major turn of events. There were various answers. The times themselves, they said, have changed, there is now glasnost and restructuring. The paper wrote about Silistra, this criticism was supported by the Bulgarian Communist Party Central Committee Secretariat. After this money and people were allocated.

The active positions of Soviet specialists and representatives were cited as important arguments. They repeatedly showed concern and readiness to jointly move the project from a dead stop.

All the same, there are still difficulties at the project. A Bulgarian Council of Ministers' decision calls for introducing a 30,000 ton annual capacity paper making machine in October. However...

Conclusions can be drawn from the situation at Silistra. How can one guard against construction delays without damaging suppliers' authority and clients' interests? This was the subject of a business meeting between Soviet and Bulgarian managers which I was able to attend.

Participants said that the very formula for cooperation has become obsolete. Interaction should begin at the design stage. This stage is now very much delayed. It takes 4-5 years to create and approve plans. The introduction of new capacity is stretched out to an average 10-12 years, while equipment depreciation periods are about 15 years. This means that old machines go into operation just prior to the time they must be scrapped. In an amicable atmosphere of strict frankness, which, incidentally, is a general characteristic of present day economic relations between the USSR and Bulgaria, it was noted that perhaps its time for the concept "friend", to be supplemented by the concepts "partner" and later that of "opponent", with all the ensuing mutual obligations. A limit should be put upon mutual general forgiveness under the slogan "indestructible friendship".

It was stated at the meeting that neither Bulgaria, the USSR nor any other country was by no means indifferent about how the equipment it delivered abroad is working. This is not simply a question of prestige. Within the framework of cooperation this equipment becomes a kind of international socialist property, influencing the development of productive forces in CEMA countries.

This is why it is important to analyze and draw conclusions from both the positive and negative experience in our interaction in joint projects and to make suggestions about ending construction delays and and idle equipment.

The sides involved need precise mutual obligations, joint organizations should be set up for designing and starting up turnkey operations. As far as Bulgaria is concerned, our friends said that it has priority outlines for a national

program for the modernization and introduction of new capacity with participation by the USSR. Within the framework of this program Bulgaria and its Soviet partners could maneuver resources and better use their technical, financial and personnel potentials.

Life itself requires new approaches, bold solutions and fresh forms of interaction.

11574

Mongolian Experience in Joint Ventures Examined

18250038 Moscow PRAVDA in Russian 14 Dec 87 p 5

[Article by V. Sapov: "A Branch on the Rise"]

[Text] "Erdenet" is a kingdom of machines. Here the powerful "BelAZ" offloaded blocks weighing many tons into a hopper, and after a few minutes a transporter delivered them to a crusher, and from there to a ball mill, the gigantic millstones of which will crush the stone into frothy powder — copper molybdenum concentrate.

"Our equipment is reliable," states (D. Lkhagvasuren), first deputy general director of the mining concentration combine. "But we intend to modernize it. We will set up more powerful ball mills, being manufactured in the Urals. Second and third generation machines with carrying capacities of 110 and 180 tons will come to replace today's 'BelAZ.' The combine has an enviable future. In this five-year plan yet another 4 million ton section has been placed in operation, and in the next the expansion of production will continue. Explored reserves are sufficient to bring up and process 30 or more million tons of ore per year.

"The construction of 'great Erdenet' is already in full swing. The immediate goal is to increase annual extraction to 20 million tons. This is an impressive volume of work. The content of copper in the ore is falling, and it is necessary to go deeper into the lower levels. Expenses will increase, of course, but calculations show that labor productivity will be increased due to modern technology and, consequently, high effectiveness will be attained."

"The combine is 9 years old," states R. Arustamov, the chief engineer of the enterprise. "It is operating on the principles of economic accountability and self-support. Profit is distributed equally. Management is also being carried out on an equal basis. The GOK [Mining and Concentration Combine] is the property of the two countries. It is headed by a council of equal groups of representatives. One-third of the collective consists of settlers from the USSR.

"There are several joint enterprises in Mongolia. Almost all of them are in the mining industry. Besides 'Erdenet,' the economic association "Mongolsovtsvetmet" is operating here. It includes the (Berkh), (Bor-Under), (Khazhu-Ulan), (Khara-Ayrak) and (Tolgoyt) mines, where fluorite and gold are mined."

In the ministry we were given these figures. As a result of joint efforts, in the past 15 years the output of products in the branch increased 35-fold, and the number of workers 8-fold. Miners of mineral products now account for 16 percent of gross industrial production and 40 percent of exports.

Joint enterprises are one of the forms of foreign economic relations among the CEMA countries. Characteristically, the allocation of equal shares by the governments of the MNR [Mongolian People's Republic] and the USSR in the formation of the statutory fund became advantageous for Mongolia, which has relatively small financial sources. An important condition, which reflects the respect of the interests of the partners, is also the fact that the USSR enjoys purchasing priority in the sale of the MNR share.

"The branch is on the rise," states (D. Renchinkhand), deputy minister of geology and the mining industry. "Here is found the highest labor productivity in the MNR. One worker produces products worth 160,000 tugriks. All enterprises are overfulfilling their targets for the assimilation of planned capacities. And product quality is at the level of standards observed in the USSR and the CEMA countries. But this does not mean that we lack reserves for improvement. Yes, and there are numerous problems. We are working jointly to solve them."

About the problems... They are outlined by the comprehensive plans for the social and economic development of international collectives. They are compiled taking into account contemporary achievements of science and the system of planning existing in the CEMA countries. At "Erdenet" this document consists of eight sections, encompassing a broad circle of questions from bettering production relations to improving material, living and cultural conditions.

Is everything being done in this area? For "Erdenet" this can be answered in the affirmative. Here a training center and dozens of schools of advanced techniques and working methods are in operation, and preceptorship has been set up in an exemplary manner. A good fourth of the collective is studying the fundamentals of economic knowledge. Here there are also fewer interruptions in work.

It is another matter in the new combine in Bor-Under, which still lacks the necessary control over universal education. And here is the result. Accidents occur due to a lack of maintenance personnel. Forced equipment stoppages are common and technological discipline leaves much to be desired.

Concern about people also varies. Thus, "Mongolsovtsvetmet," due to the scattered nature of its affiliate, finds it much more difficult to solve the housing problem. Nevertheless, each worker here has significantly more living area than at "Erdenet." On the other hand, the latter is superior with respect to the complex of everyday services.

Despite these and other examples of "raggedness," the branch, as was already noted above, is developing dynamically. Established tempos are providing stable growth in production volumes. However, considering

the future the raw material base cannot help but be a source of alarm. There is, of course, no doubt of its existence. But confirmed reserves are clearly inadequate. Here there is something for the geologists to think about, who were attracted by quantitative indices and are lagging behind with respect to large-scale cartography. Meanwhile, due to a deficit in the raw material base the Berkh mine is in a difficult condition, and mining of flourspar is declining.

"At Berkh we are finishing up the high quality reserves," explains A. Yastrebov, general director of the "Mongol-sovsvetmet" economic association. "We will build a flotation factory to enrich ore lying within a 50 km radius. There is enough of this for some 20 years, and there the geologists will find something. We will not let the mine become idle. We are more concerned about the moral and financial side of the matter. We are subsidized, you see, and will be maintained at the expense of "Erdenet." This is all because variations exist in prices for concentrate."

This is a general problem. We were also told about this in Erdenet. The fact is that, due to price differences in the external and internal markets for products of the branch, expressed in rubles or tugriks, the effectiveness of the work of joint enterprises is evaluated differently. In Mongolian currency they "look" good, as is the case in fact, but in rubles they appear much more modest. Talks by financial and foreign trade departments on this topic with USSR Gosplan and USSR Mintsvetmet [Ministry of Non-Ferrous Metallurgy] have so far not produced positive results.

The same price shuffling exists in the material and technical supply system being implemented through foreign trade organizations and other departments.

What is the solution? There is one way, the specialists say, and that is to reduce the cost price and the prices, taking into account the prospects for development of collective ownership. But the abundance of currency coefficients of recalculation of internal and foreign trade prices is holding this back. I believe it would be advisable not only to reduce the number of coefficients, but also to set them up in a relationship to freely convertible currency for goods included in the product list of the joint

enterprises. This would greatly facilitate economic analysis of the work of the enterprises. Uncertainty in price formation is seriously hampering mutual calculations.

Now a word on the legal side of the matter. Recently an intergovernmental agreement was signed in Ulan-Bator. It formulated the legal bases when the new forms of cooperation were introduced. Some of the problems of joint enterprises can be considered removed. In 1988 they are shifting to self-financing, which undoubtedly will facilitate the development of economic accountability. Greater independence in planning has been given. Now the "Erdenet" and "Mongolsovsvetmet" GOKs can establish their currency funds by selling products above the planned quantities on the external markets, and themselves conclude contracts to acquire equipment, spare parts and materials.

However, the question of transportation of concentrate and other types of raw materials to our border was left out of this important document.

It should be noted that some financial, legal and other organs display a kind of bureaucratic approach, attempting to extend to joint enterprises all the features of local wholesale price formation and internal legislation, including in the fields of planning and accountability. Meanwhile, violation of the principle of complete equality of the participants will contradict the provisions and conditions under which the joint enterprises are created.

Mongolia can rightfully be called a test range, where the first joint enterprises were smoothed out. This began in the 1920s with the creation of a number of joint stock companies, such as "Mongolsherst," "Mongolstroy," "Mongoltrans," and others. They played a major role in the establishment of the corresponding branches of the republic's economy, and enriched the practice of the development of economic cooperation in the form of joint economic activity. "Erdenet," "Berkh," and the others have in our day begun a new and important stage of socialist economic integration. This means that it is also necessary to work in the new way.

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