



JPRS Report

Soviet Union

International Affairs

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Soviet Union International Affairs

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Environmental Conference Praised Despite Lack of Consensus

90UI0113A Moscow SELSKAYA ZHIZN
in Russian, 07 Nov 89 p 3

[Report by SELSKAYA ZHIZN staff correspondent Yu. Savin: "Nature Awaits Assistance: On the Results of the General European Conference on Environmental Protection"]

[Text]Sofia—"Your discussion may become an example of effective regional cooperation. The countries of the world may save our planet together. No one can do this individually."

With these words, UN Deputy General Secretary, Executive Secretary of the UN Program on the Environment, Mustafa Tolba, concluded his speech at the Sofia ecological forum. He spoke there on the penultimate day of the conference, when the idea of the importance of cooperation was acknowledged not only in speeches, but had appeared in the draft document prepared by several delegations, a document which could become a concluding document. But it did not. Why not? The thing is that a consensus, that is, total agreement, was needed to adopt the concluding document. But it was not achieved, since several formulations proved unacceptable to one of the 35 countries participating in the conference—Romania.

So, is the meeting a failure? No. The very first speaker after the news of the lack of a consensus, the Austrian representative, expressed his regret over the sad fact, and noted the great benefit of the conversations which had lasted 3 weeks. Other speakers supported his opinion.

The dialog in Sofia was not limited to the acknowledgment of the fact that the violation of natural balance is today reaching levels which could cause unforeseeable consequences for the development of mankind. Many emphasized that the time has come for coordinated and effective actions. The particular attention of the participants of the Sofia meeting was concentrated upon three issues, as stipulated by the Vienna agreements.

Well known events of the recent past say that cooperation is needed in preventing and limiting the consequences of industrial accidents. The damage inflicted upon the environment encompasses spaces far beyond the borders of the country where the misfortune occurred. Therefore, it was proposed that a mechanism be created in Europe to react, to assist and to exchange information during extraordinary ecological situations, and report possible dangers to the population in a timely manner. The advisability of developing an international convention, a codex of practices, and other documents was discussed.

Can the significance of agreements on preserving inter-border water routes and international lakes be overemphasized? After all, even today, there arise serious objections to irrigation use of waters of the once "blue"

Danube. Scientists said that the river is incapable of coping with the 3,000 metric tons of nickel, 4,000 metric tons of manganese, 500 metric tons of zinc, 36,000 metric tons of petroleum products, and the enormous quantities of chlorine, nitrates, and pesticides thrown into it annually. The coordinated efforts of all the states through which the Danube flows are needed.

Not only on the Danube has such a situation come about. In the opinion of the eco-forum's participants, a convention on saturation rights for the defense and use of inter-border water routes and international lakes is needed. Many spoke in favor of the "polluter pays" principle in the event of damage done to nature.

A most serious problem is the handling of potentially dangerous chemical substances. In the course of scientific research and industrial production, new compounds keep appearing, new environmental pollutants. Hence the significance of such measures, seemingly "formal" at first glance, as timely information of chemical substances released, a single system of classifying them, marking them, controlling their conveyance and storage.

Each delegation made a proposal for improving ecological activity. Many of these were taken into consideration in the prepared draft of the concluding document, of which 34 participating states declared their desire to be co-authors. The document will become an instrument for the further work both of individual countries, and UN European economic commission for developing agreements on issues under discussion.

It seems that a feature of the Sofia forum should also be noted, that of the implementation of numerous informal measures. Scientists, representatives of public organizations, youth and women's movements, and journalists of various countries exchanged opinions on their participation in environmental protection. They spoke on how to prompt governments to undertake more energetically measures in the area of environmental protection.

The USSR people's deputies who participated in the eco-forum considered their stay in Sofia very useful.

"For example, I consider the experience of preparation of the fundamental document of the Sofia conference in working groups to be useful for broad application," said E.P. Tikhonenkov, representing the USSR Supreme Soviet Committee on Ecological Issues and Rational Use of Natural Resources. "For the time being, we waste much time in the Supreme Soviet on the discussion of insufficiently prepared issues. And one other point: I saw in Sofia how discussions on environmental problems become politicized. And this cannot be taken out of the equation now, while international contacts are being expanded on the parliament level. Visits such as ours must be prepared jointly with the foreign policy department. And finally, the Soviet-Bulgarian ecological agreements will allow us to resolve more successfully certain problems facing our committee."

The first general European forum on ecological problems has been completed. Ye.V. Minayev, Soviet delegation leader, noted that the constructive ideas expressed at the forum will lay the foundation for further cooperation, and will become a fund for the development of new joint documents, new conventions and agreements aimed at achieving a single goal uniting us all—the creation of an ever more ecologically clean Europe.

Soviet UN Expenditures Questioned

*18003000 Moscow PRAVDA in Russian, 5 Nov 89
Second Edition p 4*

[Letter by P. Dorovskikh: "USSR and UN: Are the Expenditures Justified?"]

[Text]How much does our country contribute to the UN's budget each year? How far in arrears is it? Why is it that we are obliged through the UN to finance expenditures for Palestinian refugees, UN peacekeeping

forces, etc., when we have more than enough problems of our own? PRAVDA correspondent S. Mikheev contacted the USSR's Ministry of Foreign Affairs, which stated that our country's contribution to the UN budget this year was 86.4 million dollars. The Soviet Union is not in arrears as far as this is concerned. In 1989 we contributed approximately 95 million dollars for UN peacekeeping operations. However, we owe the UN 172 million dollars for this. The intention is to pay off this sum by 1991. As for the USSR's total contribution to international organizations, it should total about 320 million dollars this year. In his speech at the second session of the USSR Supreme Soviet, Foreign Minister E.A. Shevardnadze reiterated that it is possible through the UN and other international organizations to "limit the costs which we would incur with regional conflicts and tension, and with the threat of a regional outbreak escalating into a major war." Thus, our nation's expenditures for these purposes are fully compensated for.

CPSU Pursues Dialogue With Social Democrats

90UI0108A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian, 3 Nov 89 p 3

[Article by Candidate of Historical Sciences S. Yas-
trzhembskiy: "Turning to a New Quality"]

[Text] "...M.S. Gorbachev and Willy Brandt met once again." This dry statement began an official TASS communication on a discussion held in the CPSU Central Committee. Is it worth, one might ask, commenting on an event which has become the norm for us? The answer is unequivocal: It should, inasmuch as the contours of certain deep-lying trends symbolizing the spirit of our pivotal times may be discerned distinctly behind the outwardly routine nature of the mere fact of the meeting—trends the development of whose nature and direction are determining to a considerable extent the substantive dialogue between the leader of the CPSU and the leader of the Socialist International. I was present at Brandt's 2-hour discussion with Soviet scholars studying the experience of social democracy. And this is what is notable: Both at the meeting between M.S. Gorbachev and W. Brandt and in the course of this discussion the parties' attention was focused primarily on the fate of the socialist idea and the modern understanding of socialist values and ideals in the context of the development of world processes and the large-scale changes which are occurring in our country. So obvious a concurrence of the parties' concern for the joint discussion of socialist problems is not, of course, fortuitous. Having abandoned ideological autarky and claims to a monopoly in the understanding of the essence of the socialist idea, we are currently searchingly scrutinizing foreign socioeconomic and political and legal practice and displaying a readiness to creatively assimilate from the experience of other societies and movements all that may be of benefit to perestroika. In this respect—and Brandt's discussion with Soviet scholars is a clear illustration of this—we are beginning to value and pay tribute to the reformatory activity of the social democrats in the spheres in which they have been notably more successful than we. It is a question, for example, of social democracy's experience in matters involving control of the market economy, the creation of a system of social safeguards, the harmonization of relations between the civil society and the state, cooperative societies, and so forth. Finally, the fact that operating in the channel of the new political thinking, the CPSU has rid itself of time-honored ideas about socialism and regards it as a world political and ideological process going beyond the confines of the socialist countries is also contributing to the development of dialogue with social democracy on socialist problems. But it would be a mistake to consider it one-sided. The views of international social democracy are also being transformed, including those under the impact of the changes occurring in the socialist world. It is sufficient to say that the social democrats—Brandt emphasized this idea repeatedly during his Moscow visit—are observing with sympathy and interest the progress of the Soviet

reforms and adopting an attitude of tact and understanding toward our problems, linking with the success of perestroika their hopes for surmounting the consequences of the "cold war" and man's progress toward a democratic world community. Whence the need to obtain at first hand, as they say, authentic information concerning the "general state" of perestroika and to see for oneself the Soviet leadership's resolve to continue, despite all the difficulties, the cause of radical change. And in this respect also, to judge by Brandt's statements, the meeting with M.S. Gorbachev implanted optimism in the leader of the Socialist International. What has been said by no means signifies that there are no philosophical or political disagreements between us and social democracy. There are such, of course, and they will persist into the foreseeable future. "Each," it was noted in this connection in the course of M.S. Gorbachev's discussion with W. Brandt, "remains devoted to his values." However, there are no longer any grounds today, I believe, for dramatizing these disagreements and seeing them only as a minus value. Under current conditions they could very well become and are becoming a stimulus to a comparison of differing experience, intensive theoretical search, and mutual enrichment. The venerable social democratic politician did not, of course, visit Moscow only to persuade himself of the strength of the positions of perestroika. No less important for him, who did much at the start of the 1970's and who is continuing to do much now in the interests of a policy of detente, was the "synchronizing of watches" with the Soviet leadership on many central issues of international relations. As was to have been expected, the top-level meeting, in the course of which problems of security, cooperation, the European process, world economics, and others were broached, revealed once again the proximity or complete similarity of the corresponding positions of the CPSU and international social democracy. And, what is more, the parties resolved to go further; they agreed on a visit to our country in 1990 of an authoritative Socialist International delegation. The purpose of the visit is the establishment of a regular exchange of opinions between the CPSU and the head social democratic organization on practically the entire spectrum of transnational problems of the modern world. Such a multipurpose dialogue would seem highly promising inasmuch as it will make it possible to approach new ideas essential for the development of civilization on the threshold of the 21st century. As a whole, one has the impression that the formation before our very eyes of an essentially new model of interaction between Soviet Communists and the social democrats is underway. Many of the arguments and misunderstandings have lost their former seriousness and are receding into the past. Scope is being afforded for a change of cooperation toward a new quality with preservation of the distinctiveness characteristic of each party, but within the framework of the overall socialist tradition. The "regular meeting" of Mikhail Sergeevich Gorbachev and Willy Brandt will impart additional impetus to this process.

German Question 'Closed'

90UI0046A Moscow ZA RUBEZHOM in Russian
No 41, 6-12 Oct 89 p 1

[Article by Valentin Kopteltsev: "On the Question of the 'German Question'; Ideas and Discussion"]

[Text] The 40th anniversary of the day that the German Democratic Republic was proclaimed, 7 October, was used by the means of mass information in the West—and not only by it, but also by a number of state leaders, particularly in the FRG—as an occasion for attacks on the first German state of workers and peasants. The reason was the upsurge in emigration from the GDR through Hungary and certain other East European countries. The causes of this phenomena are varied, but, of course, the dominant ones are considerations of material benefit. After all, the living standard is higher in the West. Moreover, coming to the Federative Republic of Germany, the emigrees from the GDR are automatically granted equal rights with FRG citizens.

There is nothing new in the Bonn policy, which is aimed at encouraging emigration from the GDR and thereby at inflicting loss upon it. Such a policy has been implemented for over 40 years now—from the first days of existence of the West German state. There were times—in the late 50's-early 60's—when many more people left the GDR than today. Why, then, should we consider the current wave as evidence of the existence and even of the exacerbation of the "German question" in the understanding of Bonn, i.e., the supposedly pressing need to realize the reunification of Germany?

In reality, there is no basis for this. Independent of the fluctuations in numbers of the emigration statistics, the reality is such that there are, and for the historically foreseeable period of time there will continue to be, two sovereign German states. This means that the "German question" in its above-mentioned understanding is closed, and for now is not to be opened.

History will show how things will proceed. However, this reference to history is merely the acknowledgement of the objective status, and certainly not an indicator of the neutral approach of the Soviet Union to the situation in Central Europe. We are not indifferent to it, and we do not hide the fact that the sympathies of the Soviet people lie entirely on the side of socialism, on the side of the GDR. Obviously, we understand that the development of friendly relations with the FRG and its people is also of primary importance to our country, and we sincerely strive for this.

The main lessons of post-war development are, first of all, that the inviolability of the formulated boundaries has ensured peace, and secondly that the current status quo, including the existence of two German states, in no way hinders the strengthening of mutual security and the development of peaceful cooperation in Europe. Any discussions about the reunification of Germany, and especially about the transfer of this slogan to the plane of

practical policy, threaten to disrupt the European balance, increase the suspicions of neighbors, and most importantly—push the two German states toward a course of mutual confrontation, i.e., produce an effect opposite to that which the apologists of "reunification" would like to create. The peculiar responsibility of the Germans for the preservation of peace which stems from the lessons of World War II places upon them the responsibility not to push history forward, not to exhibit impatience, but to show particular sensitivity toward the feelings of other peoples of Europe.

We must remember that it was not the division of Germany which was the reason for the disintegration of Europe into two camps. On the contrary, it was the differences between the former allies in the anti-Hitler coalition which led to these regrettable events. We believe that we must overcome the consequences which have arisen in the same order, beginning with the building of a "common European house", in which no one will cast doubt on the social choice of the peoples, on the existing boundaries, and on the ties of alliance which have been formed between the countries.

However, it would be incorrect to believe that it is only a matter of the Germans' in some degree waiving their right to self-determination in the name of peace in Europe and the interests of the peoples who suffered in the past from fascist aggression, even though there are rather precise formulations contained in the Potsdam Agreement on this matter. We must remember that in the 40-some years of movement of the two parts of former Germany in opposite directions, many elements of incompatibility have accumulated between them. And these differences are not only in ideology, in their economic and social order, and in questions of culture and public education. Two generations in both of the German states have grown up under entirely different conditions, and this has already begun to be expressed in the peculiarities of the language and national psychology of the people of each of these countries. We might add that it is specifically the politics of confrontation and intervention of the West into the affairs of the GDR which could not help but heighten in its people the sense of national self-awareness, the desire to emphasize their right to statehood.

As a result, throughout the world whoever calls himself a German is immediately asked: GDR or FRG? This too is a reality which we cannot avoid. And this, we might add, refutes the thesis which is currently prevalent in the West that supposedly the GDR is a purely ideological state which will lose its right to existence as international relations become de-ideologized. No, the German Democratic Republic is an example of overcoming the old militaristic thinking. It is a colossal effort placed in the uplifting of productive forces. It is billions of economic, cultural, and personal human ties with the Soviet Union and other East European countries. This priceless capital of mutual penetration of peoples will be preserved throughout the ages and will pay interest to our heirs

under any twists of history in Europe, if only we Europeans are able to preserve our civilization and avoid another war on the continent.

It is specifically this goal—not to allow a war to begin on German soil—that has become the GDR state doctrine. In the international arena, the German Democratic Republic has earned widespread respect for itself through its continued peace-loving course as a reliable link in the socialist alliance and participant in the Warsaw Pact and the Council for Economic Mutual Assistance. It actively supports the peace proposals of the Soviet Union and speaks out alone and in conjunction with other fraternal countries with initiatives on measures of disarmament and relaxation of tensions in Europe, and with drafts of resolutions presented at the U.N., of which it has been a member since 1973, as well as at other international organizations and conferences.

Within the framework of the new political thinking, the GDR leadership has promoted the slogan of "coalition of the forces of reason and realism", the concept of dialogue in contradiction to the line held by certain NATO circles toward confrontation, and the rejection of an escalation in tensions in response to the provocative attacks by our potential enemies. This policy has a specific directionality in regard to the other German state—the FRG, whose community and ruling circles are being faced with the need to assume more realistic positions. Of great significance here is the development of problems of security and disarmament by the parties representing the two main branches of the current German workers' movement—the Socialist Unity Party of Germany [SED] and the Social Democratic Party of Germany [SPD]. On this basis, joint proposals have emerged submitted by the GDR and the CSSR to the FRG government regarding the creation of a nuclear-free corridor and a zone free of chemical weapons, the SED and SPD document "Controversy of ideologies and mutual security", and their initiative regarding a zone of trust and security.

Obviously, the German Democratic Republic, like any full-fledged state, has its own interests in bilateral relations as well as on general international questions, and when necessary it makes them clearly known. Thus, as far as the documents of the Vienna meeting are concerned, it is placing the emphasis on the inadmissibility of their abuse for the purpose of justifying intervention in the domestic affairs of sovereign states, substantiating this position with its resolution to give a firm rebuff to any unfriendly act. These nuances in no way weaken the coordinated line of the fraternal countries in regard to the West.

For the Soviet Union, who stood at the cradle of the GDR, helped it to gain economic strength, and firmly supported it in its long struggle for international recognition, this socialist German state will always be one of the most important allies, a reliable support on the road to a world without weapons and without wars.

Vernon Walters on Confidence-Building, 'New Thinking'

18070361 Kiev PRAVDA UKRAINY in Russian,
10 Sep 89 p 3

[Report by Yu. Ovsyannikov, correspondent of PRAVDA UKRAINY, on statements by Vernon Walters, U.S. ambassador to the FRG, at press conference in Kiev; first two paragraphs are PRAVDA UKRAINY introduction]

[Text] A United Nations seminar on multilateral measures to strengthen confidence and to prevent war took place in Kiev during 4-7 September. It was organized within the framework of the Worldwide Campaign for Disarmament on the initiative of the UkSSR. The participants—prominent political and public figures, scholars, diplomats, and military experts from more than 20 countries of the world—conducted a rich and useful exchange of opinions and ideas.

In the course of the Kiev forum, there were a number of briefings and press conferences. We invite the attention of the readers to the observations of our correspondent about one of the meetings in the press center of the seminar, when Vernon Walters, the ambassador of the United States in the FRG answered the questions of Kiev journalists.

"You can get anywhere if you know how to use your tongue"—almost at the beginning of the meeting Mr Walters cited this well-known proverb of ours, as if inviting those who were interviewing him to ask questions more actively. And he forestalled his judgments and statements by expressing satisfaction with the brilliantly organized seminar in the capital of the UkSSR and thanked the Soviet organizers for the hospitality. And he said further:

"I think that the subject of our seminar, which is related to the problems of preventing the danger of war and measures to lower the risk of the development of nuclear war, attracts all. The interested discussion of these problems is conducive to the guarantee of an atmosphere of openness."

The interested discussion. . . . Precisely it, in the estimation of V. Walters, prevailed at the seminar. Answering the question of the correspondent of Ukrainian radio on the stages of the discussions, the interlocutor said that he came to the press conference directly from the regular plenary session of the seminar, were the speech of a Soviet expert was heard. The ambassador remarked: What he heard in the Soviet speech was very interesting, it touched on questions of the realization of measures of inter-state confidence.

A curious detail: The present diplomatic status of Vernon Walters was preceded in its time by the post of deputy director of the CIA. He has behind him also the skills of the work as permanent representative of the United States at the United Nations. Taking into

account these facts, I would like to explain how the life and official experience of the interlocutor is linked with the dictates of the new political thinking, which our country has introduced into international affairs. For this reason I asked:

"... Your understanding, Mr Walters, of the new political thinking? What is your, so to speak, personal formula on this account?"

"First of all, I recall that I am the ambassador of the United States in the Federal Republic of Germany. And the Germans have the following saying: Ambassadors who become involved in the internal affairs of other countries very quickly cease to be ambassadors. . . .

But I want to continue the answer. The new political thinking, restructuring, glasnost, and democratization in the USSR and everything connected with these concepts are concrete reality, which have already involved changes in the character (oblik) of the world. And the changes, large credit for which, I repeat, belongs to your country, are continuing. The United States are in favor of the development of the favorable trends.

And I will name another very important factor of the new political thinking. It is the fact that in both of our countries the stereotypes of "the image of the enemy" are being destroyed," Walters continued.

It goes without saying, realistic statements of that sort add optimism in the vision of international relations. However, the interlocutor himself extremely emotionally noted:

"Just to think! Soviet inspectors in the state of Utah are now observing an American military plant. And inspectors from the United States have visited missile bases in the USSR. Now the NATO and War Pact blocs are exchanging information about maneuvers, drills, and large troop movements. Three years ago, this information was completely secret."

"Thus, the times are changing. Do you believe that the "Cold War" has completely departed?" a lady journalist from RADYANSKOI UKRAINI was curious about the view of the ambassador.

"If the USSR and the United States will continue to act in the same spirit as is being done today, then I will answer your question positively. But for this, we have to continue to work in the indicated direction. Neither the United States nor the Soviet Union is interested in the "Cold War." It costs too much money. And, indeed, we have things to spend funds on. Is that not so?"

Why, both we Soviet people and the Americans will, of course, find something much more justifiable to spend money on. Moreover, even in the sphere of the development of our mutually useful collaboration new necessary directions may develop. An example? It showed up when Walters, as the former deputy director of the CIA, was asked, it would seem, a question that was "out of bounds." Concerning the possibility of "cooperation" between the CIA and the KGB.

"Such a thing is possible in something," was the answer. "For example, in problems of the struggle against drug addiction or terrorism. . . . The Chinese have a proverb: A thousand mile journey begins with the first step. I named spheres for you in which cooperation of the special services of our countries is both possible and feasible."

* * *

In the end, the discussion turned again to Kiev and the Kievites. . . . I shall permit myself here to shift the chronology and cite a detail about which the interlocutor talked earlier.

Our guest was talking near the hotel with a Kievite who, like himself, was already no longer young. It turned out: Both were participants in the Second World War. "We arrived at the conclusion that old warriors understand each other best of all. We were wounded in the battles. . . . In short, veterans more acutely than others know and remember the price of war."

With this statement, I will end my notes.

Economic Cooperation with Western Firms Before 1992 Urged

90UI0098A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian, 1 Nov 89 p 3

[Article by S. Samarin, candidate of economic sciences:
"Point of View: 'The Window to Europe Should Not Be Closed'"]

[Text] The perestroika of foreign economic relations, which is now in its 4th year, has not made any serious changes in the situation with regard to exports of machines and equipment. The Soviet Union's share of world exports of these products is negligible. Not only is there a huge gap between production potential and the export base, but we also must deal with the fact that the mechanisms for the attainment of current objectives are completely unsuitable for this purpose.

The experience of several new industrial nations, especially in Southeast Asia, indicates that their success is based on free enterprise and competition, extensive international cooperation, and a realistic economic policy, a policy made by qualified experts.

It would be impossible, and even inexpedient at this time, to apply this experience to the Soviet economy. With a view to current realities—the tenacious stereotypes of the period of stagnation, the monopolies of producers and departments, and trends in our own development and world development—let us try to substantiate at least one of the possible ways of including our machine-building complex in international division of labor.

An exhibit entitled "Soviet Machine-Building Days" was held in Stuttgart (FRG) in summer 1989. The exhibit was given extensive coverage in SOTSIALISTICHESKAYA INDUSTRIYA. It was probably the first time that the opinion that the manufacture of components on orders from Western firms is virtually the only way that domestic machine-building enterprises can develop exports for freely convertible currency, was expressed so candidly in the Soviet press. Let us trace the ways in which this idea could be implemented.

It is true that perestroika demonstrated the futility of developing exports of only the finished products of machine building. We are exporting approximately a billion rubles' worth of machines and equipment for freely convertible currency. The vehicles of the VAZ [Volga Motor Vehicle Plant], however, account for around 80 percent of this sum. In other words, it is simply too early to consider the actual integration of the machine-building complex in the world market. What is more, the stagnation of Soviet exports is continuing, and cooperative relationships between Western corporations are constantly growing stronger. All of the customs barriers and tariff restrictions in Western Europe will disappear in 1992. If we do not act now to develop cooperation with the West, this will be much more

difficult in 2 or 3 years, when all of the economic "niches" have already been filled.

Can traditional methods change this situation in the near future? The answer is obvious. The Western market is filled with first-rate goods with a high level of automation—ecologically clean goods manufactured in line with international standards. Add the extensive service and sales network and then ask yourself how Soviet machine building can compete, especially when even the VAZ vehicles or Belarus tractors which have been exported for so many years have to be worked on at their place of destination to meet current requirements. With the stricter emission requirements in Western Europe, we should be concerned less with the development of automobile exports than with the maintenance of the present level of these exports.

Domestic enterprises have been able to avoid most of these problems when they produce components for Western firms. The export of components does not require maintenance services or a broad commercial network. An analysis of the possibilities for economic cooperation with Western firms on this basis attests to a high degree of interest on the part of the latter. Above all, our enterprises would be required to observe delivery schedules and meet quality and reliability requirements. These contacts could be regarded as the first phase in the development of integration on a commercial basis, an area in which we lack experience. Economic interest and commerce would be the main considerations here.

This form of cooperation has already been tested by many countries, including socialist states. The main thing is not to stop at material-intensive components, but to move ahead to technical complex products with a high scientific input. Yugoslavian and Singapore enterprises are now capable of manufacturing microchips, personal computers, household electronics, and many other products competitive in the world market, although their machine-building potential just 15-20 years ago was only a fraction of Soviet potential. Enterprise and regional economic accountability, currency self-sufficiency, and the experience of other countries indicate a positive outlook for this field of cooperation. Furthermore, the still minimal experience of several enterprises of the machine-building complex, such as those making up the Energomash Machine-Building Association (Leningrad), suggests that exports could be developed in the future by filling orders for large forgings and the machining of rotors.

The actual use of the advantages of this kind of cooperation is another matter. Regrettably, possibilities for the use of existing foreign trade associations are extremely limited in this field. It is less a problem of their size than of their relations with enterprises. Authoritarian methods of management are still being used in the foreign economic sphere because of the continuing monopoly of certain departments. Enterprises are still attached to a single foreign trade association. The right to operate in the foreign market autonomously is largely

fictional under the conditions of the acute shortage of commercial personnel, the low technical level of manufactured goods, and the absence of marketing, advertising, and maintenance services, particularly in outlying regions. The planning of exports in cost terms and the planning of the product assortment in finished products distributed by USSR Gosstorg do not give foreign trade associations an incentive to develop exports of components. Foreign trade associations are still "soliciting" funds from USSR Gosstorg and do not have any genuine economic accountability.

It is completely obvious that full-scale cooperation by domestic enterprises with Western firms in the manufacture of components will necessitate the establishment of a network of specialized mediating firms. The development of cooperation should be a self-evolving and self-intensifying process. In other words, it should entail not only horizontal advancement, through the inclusion of new enterprises and firms, but also vertical progression, from simple items to more complex ones. The most suitable organization for this kind of work is the joint venture operating on the basis of full economic accountability and currency self-sufficiency. Furthermore, this will not require a kopeck or cent of centralized investment. Joint ventures in the field of mediating services will allow the use of the Western partner's commercial network and marketing and advertising expertise, and this is just as important as the acquisition of advanced technology.

The de-monopolization of industrial production is a complex and costly process, and we are just beginning to approach it. The creation of a network of joint mediating organizations would be a serious step in the democratization of the existing system of foreign trade and would not require substantial sums of money. In my opinion, the main thing to avoid is the assignment of this function to existing foreign trade departments. Otherwise, we might have the same situation as we have in wholesale trade, where USSR Gosstorg seems to have been called upon to "dig its own grave" by creating a network of wholesale bases throughout the country. We should not deny the role of middlemen, without whom the effective organization of production in the West would be absolutely inconceivable.

The difference between joint mediating enterprises and the middlemen now working in foreign trade associations is that the former will depend completely on industrial enterprises, and not the opposite, which is the case today. Ministerial staffs are being reduced, releasing an army of qualified experts with a good knowledge of enterprises and production. They could be employed effectively in joint ventures. The current conversion in the defense complex could also give them jobs.

It might be expedient to put the machine-building agency of the USSR Council of Ministers in charge of the implementation of this plan. To this end, the existing economic mechanism could be improved by completely

eliminating all budget deductions for export deliveries of components and simplifying the entire mechanism of cooperation.

Foreign Trade Association to Sponsor International Exhibitions

90UI0053A Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian, 11 Oct 89 p 3

[Article by V. Lagovskiy: "Autumn Review"]

[Text] The All-Union "Ekspotsentr" Association of the USSR Chamber of Industry and Commerce will conduct several international exhibitions at the end of October.

"Electronic Machinery—89" will be held from 18 to 25 October at Krasnaya Presnya. The participants—300 companies from 18 countries—will demonstrate modern equipment and production processes necessary in the manufacture of computers and automatic devices. Specialists hope to broaden contacts with Soviet partners. The first fruits of cooperation are already evident—products of joint ventures created recently in information science will be presented in the exposition.

The exhibition "Land Reclamation—89" will be located in Sokolniki from 19 to 26 October. Note that the name of the review was an unfortunate choice—in our country the term "land reclamation" [melioratsiya] has been considerably compromised. To many, it means violence upon nature and a predatory attitude toward our water wealth. Nonetheless the mindless strategy of the former Ministry of Land Reclamation and Water Resources is one thing, while modern technology is something entirely different. It must and can be utilized sensibly—not to the detriment of nature. How? This is what 100 companies from 15 countries intend to demonstrate. It would be sufficient to list the principal sections of the exhibition: recycling and decontamination of liquid wastes, automation of irrigation, drip (water-saving) irrigation systems, fish-protecting structures, soil-conserving procedures, nontraditional energy sources. Around 50 enterprises from our country will show their equipment, which is extremely progressive by the way, but little utilized for some reason.

A clear ecological accent is also evident in another exhibition—"Wastes—89," which will open on 13 October. Its guests are Italian companies so concerned with the condition of our environment that a number of them have chosen to create joint ventures. The first—Prima—was established by the Moscow City Executive Committee and Aqua, Italy's largest industrial concern in the field of ecology. It was triumphantly opened in Moscow on 29 September. In the first stage, Prima is to create a citywide system of monitoring resources and instruments, and then the equipment to process and eliminate wastes and treat waste water. This is an encouraging fact, but it does create food for thought: Why do "they" have industrial concerns that protect nature, while we only have ones that spoil it? Perhaps the

exhibition will encourage the corresponding departments to once again seek an answer to this question. Wasteless production procedures and methods of treating wastes and utilizing the materials obtained will be demonstrated in the exposition. The exhibition will be held at Krasnaya Presna in building No 2.

The exposition "Stomatology—89" will open on 14 October in building No 1. It is intended for specialists. But even the lay visitor would be interested in learning the ways in which teeth can be treated, and what sort of drills, fillings, surgical instruments and diagnostic equipment are available. Over 30 companies from 11 countries are prepared to amaze. And not only that. The Soviet-West German Intermed joint venture is taking part in the exhibition. It intends to display models of available stomatological outfits capable of providing all dental assistance—from diagnosis and treatment to creation of prostheses. Intermed is prepared to provide such equipment to clinics of interested Soviet enterprises.

Representatives of 130 American companies are waiting to meet potential Soviet partners to conclude business deals at the "USA-89—Business Opportunities" exhibition at Krasnaya Presna from 18 to 25 October. Negotiations can be carried on, contacts can be established, the sale of goods can be organized and thought can be given to creating joint ventures applicable to the subject matter of the exposition here. And it is rather extensive—progressive procedures in various industrial sectors, automation of agricultural production, processing and packaging of food products, chemistry, electronics, medicine, power engineering.

A visitor acquainting himself with exhibits in the "Metallurgy—89" exhibition, which will be held in Sokolniki between 18 and 26 October, will catch himself thinking with amazement that all of these things had been known in our country for a long time. Continuous pouring of steel and nonferrous metals, cold rolling, vacuum smelting, powder metallurgy—many such progressive processes were developed in their time by Soviet specialists. But alas, they are being demonstrated by Austrian, West German, Turkish and Swiss companies. This would perhaps make it all the more interesting to see what can be done with good ideas.

Expansion of Foreign Economic Activity Urged

90UI0037A Moscow SOVETSKAYA KULTURA
in Russian, 10 Oct 89 p 3

[Interview with Konstantin Batygin, deputy director of the information service of the UN Center for Transnational Corporations, and Rostislav Konyayev, docent of the Diplomatic Academy of the USSR Ministry of Foreign Affairs, candidate of economic sciences, by Valeriy Nastichenko: "Is It Necessary to Board Up the 'Window to Europe?'"]

[Text] *Our correspondent Valeriy Nastichenko discusses the forms and methods of foreign economic ties and their prospects with the deputy director of the information*

service of the UN Center for Transnational Corporations, and Rostislav Konyayev, docent of the Diplomatic Academy of the USSR Ministry of Foreign Affairs, candidate of economic sciences.

[Nastichenko] Both at the Congress of People's Deputies and at the session of the Supreme Soviet problems of our country's foreign economic ties were discussed very pointedly. And the opinions were contradictory, sometimes mutually exclusive. Thus one recalls the very emotional speech by the writer B. Belov. He read a letter from one of his constituents whose position he apparently shares. "We appeal to you to introduce a legislative initiative for the Supreme Soviet to annul all transactions concerning leasing parts of the territory of the Soviet Union to joint firms and also to annul all other concessions and leases. Now some kind of mercenary satanization has set in. Some people are prepared to sell themselves lock, stock, and barrel, with total disregard for their homeland." It is probably possible to understand the author of the letter and the writer, but is this really the way things are?

[Konyayev] The person who wrote the letter is not sufficiently informed, although it does reflect the attitude of a certain part of the country's population. At the present time we are not using forms of concessions. In my opinion this is too bad. We have about 700 joint enterprises. And this is quite natural. It is impossible to develop foreign economic ties without using forms of cooperation that are new to us, ones that are involved with international movement of capital. Let us recall that even V.I. Lenin wrote about the decisive significance of export capital for the development of all other spheres of economic ties.

Why should we not take advantage of such a form as selling shares in our enterprises on the foreign securities market? In Leningrad there are already concerns which could take this path with the help of Soviet banks.

Or, for example, in the West they widely apply the practice of organizing art exhibits through the boards of large companies and banks. Why should our Artists Union not have a permanent exhibition in the Moscow National Bank in London? Taking into account the interest in Soviet art that exists in the West, this would be a good form of cooperation.

[Batygin] In the UN Center for Transnational Corporations we can see that modern international trade is impossible without the development of exchange of scientific and technical knowledge, work force, cultural values, and so forth. And this is world practice. Suffice it to say that just the overall amount of direct foreign investments at the present time exceeds 700 billion dollars.

[Nastichenko] The letter also mentioned the "squandering of the territory." Apparently they had in mind the "free economic zones" that are to be created in regions of the cities of Vyborg, Nakhodka, and Novgorod. Many

are afraid that by following this path we might end up hostages of foreign firms right in our own country.

[Batygin] This is possible if out of laziness or because of other factors the situation is left to develop of its own accord. People's deputies must monitor the development of our foreign economic ties most attentively. The creation of clear laws and clear rules of behavior is a necessary condition.

In foreign practice zones of free entrepreneurship are territories with favorable conditions for the activity of foreign capital operating in the interests of increasing exports of goods. But we want these zones to operate as a part of the Soviet economy and for favorable conditions to be created in them not only for the activity of foreign firms and companies but also for Soviet institutions and enterprises. So that the work will also take place on the USSR domestic market, contributing to saturating it with advanced technology and high-quality goods. And they will also be kinds of centers for the assimilation and dissemination of foreign management experience.

[Nastichenko] One immediately puts one's guard up because of the first word in the concept "free economic zone." Free from what?

[Batygin] From excessive regulation, from rigid control, from the kind of abnormality of our management which hampers initiative, which, for example, requires 2-3 years of coordination for new clothing fashions. It is necessary to significantly reduce the amount of time that passes between the idea, the model, and the product. Therefore the word "free" does not mean free of Soviet laws and labor legislation. Rather it means from of stagnation and departmental interference in the leadership of the enterprises. But the main thing is that the highest organ of authority in the "zone" is the local soviet of people's deputies, and executive functions will be performed by a special administration under the jurisdiction of the local soviet.

[Nastichenko] It is known that the "zone's" payment balance will be constructed on the basis of currency self-recoupment and the state order will not exceed 50 percent of the overall volume of the production of the corresponding goods. Also in the "zone" foreign firms will receive certain benefits and privileges. Will such a policy not again lead to social inequality?

[Batygin] The essence is that in these regions labor productivity should be higher and there should be correspondingly higher pay for labor with a combination of the interests of the state, cooperative enterprises, and mixed and foreign capital.

We now know that 40 million of our people are living below the poverty level. And wages comprise a very small proportion of our national income as compared to the United States. There is probably enough equality in low incomes so let there be inequality in high incomes.

But we think the main thing is that the zones should expand and not be a closed system. And they will be a kind of intermediate stage, a buffer, as it were, with which we shall be able to solve a painful problem—the problem of the convertibility of our currency and its creation. Figuratively speaking, this a kind of economic Aventine—one of the seven hills on which the mighty Ancient Rome grew up.

As concerns the "squandering of the territory," the answer here was given in the speeches of the people's deputies at the congress. We ourselves are squandering national property: We are destroying the forests, we are damaging the rivers, and we are flooding immense expanses of planted areas and lowland meadows. We are covering huge areas with construction, filling them with trash, and causing a great deal of inconvenience to those around us.

[Nastichenko] It would seem that for a long time we were educated on the basis of an idea that might be called "economic isolationism." We have always been told that our country is the richest, that we have all the natural resources, that we can provide for ourselves and therefore there is no reason for us to cooperate with the West, that it can give us nothing but the Colorado beetle, depravity, drug addiction, and other troubles. Life has shown that this kind of autocracy does not promise us anything.

[Konyayev] Yes, such a philosophy of a foreign economic policy of complete abstinence leads to an impasse. It is not without reason that M.S. Gorbachev at a session of the Supreme Soviet said that we cannot "...in the name of old dogmas stand on the sidelines of the world process..." because this will inevitably lead to backward a science, technology, and economy, and a low level of national well-being.

It seems to me that we must as quickly and resolutely as possible destroy the myth which gave rise to our attitude toward the outside world as something hostile. Our mistrust was based on the bitter experience of past years, but we must learn from new experience as we see how the attitude toward us in the West is changing.

[Batygin] The times of an impenetrable mantle in the social, economic, and cultural spheres have long been forgotten. There is not a single state, regardless of how developed it may be, that can develop in isolation. Even in the United States two-thirds of the machine tools that are installed annually come from foreign countries. Only 10 percent of the audiovisual equipment purchased by Americans was produced in their country. When it is possible to purchase an inexpensive item and the quality it higher, of course, it is necessary to take advantage of international division of labor. Without this development is simply impossible.

[Nastichenko] But here there will probably be inequality among partners. Just as now it is no secret that we sell inexpensive raw materials: cotton, petroleum, gas, ore, and so forth, and then we buy back the industrial goods

manufactured from this raw material at three times the price. Statistics confirm that in order to compensate for losses of hard currency revenues, our country has increased petroleum exports from 117 million to 144.2 million tons, natural gas—from 68.7 billion to 88.0 billion cubic meters, and electric energy—from 29.2 billion to 38.9 billion kilowatt hours. But the proportion of industrial consumer goods purchased abroad in the value of domestic market supplies is constantly increasing and at the present time amounts to about 20 percent.

And it is quite absurd that, while we occupy first place in the world in the production of iron, steel, and rolled metal, we have nonetheless increased our imports of rolled ferrous metals from 1.5 million tons in 1970 to 5.3 million tons in 1988 and rolled pipes—from 1.3 million to 4.7 million tons respectively. These figures again confirm that there is much that is abnormal and unbalanced in the volumes and structure of our foreign trade ties, and it would seem that we could not be satisfied with this situation, but we have been stating the fact for several years now and nothing has changed. Apparently this state of affairs is advantageous to someone.

[Konyayev] This is not a matter of advantage but rather of the inability to operate on the world market. It must be admitted that our incompetence, inertia, and departmental "tug-of-war" cannot stand up under any criticism. Many fundamental political directives coming from the center lose their value in the endless bureaucratic labyrinths and are lost without ever reaching their destination.

One also has misgivings about the fact that representatives of the enterprises and departments that have been given the right to conduct export-import operations directly are operating on the foreign market in an extremely economically unintelligent way. And there are already cases in which disadvantageous transactions have been concluded: sales at low prices, purchases at high prices, and so forth.

The problem is also exacerbated by the fact that the products of our main branch of industry—machine building—cannot compete on the world market. Suffice it to give two figures: Our country's share of world trade is only 4 percent, that is, the same as it was in 1913, and the proportion of machines, equipment, and means of transportation in our deliveries to the West is only 3 percent. For comparison, the proportion of this group of goods in developed capitalist countries is 30-35 percent. Many developing countries have passed us up in terms of these indicators. A multitude of conclusions follow from this, the main one being that we must make the most rapid changes in our economy. And new forms of foreign economic cooperation will contribute to this.

[Nastichenko] You have just noted that in terms of certain indicators we have been passed up by many developing countries. But at the same time for some reason we render them a considerable amount of aid.

Many people are bothered by this problem. It is no accident that at the USSR Congress of People's Deputies Ye. Yevtushenko said: "We should reduce and in a number of cases halt aid to poorly developed countries until our country becomes highly developed..." I know that many people agree with him, thinking that we are impoverishing our own people. Is this true?

[Konyayev] There are two forms of aid to developing countries. An example of this aid might be the aid rendered to the starving people of Ethiopia in 1984. Everyone remembers those children with their bellies distended from hunger who were shown on television. Could we ignore such a situation? Incidentally, in this action we successfully cooperated with the United States: We hauled American wheat in our trucks. And then there was the tragedy in Armenia, and Third World countries also responded to it. Nigeria alone offered a nonreturnable loan of 1 million dollars.

As concerns the other form of aid—technical cooperation—in 1987, for instance, 40 percent of our imports from developing countries were for paying off credit granted for their construction.

And in general in order to judge our foreign economic ties competently we need publications of the country's payment balance which reflect all foreign economic operations both of the state and of private parties.

[Nastichenko] Obviously, the problem of the competence of our parliamentarians is acquiring special significance now. It was no accident that D. Khudonazarov spoke about this at a session of the USSR Supreme Soviet. He complained that the deputies have almost nowhere to obtain information in order to be prepared regarding various issues.

[Konyayev] Of course the deputy's desire to have the necessary information in his library is legitimate. For my part I should like to say that we have expressed the following idea in the Diplomatic Academy of the Ministry of Foreign Affairs: To invite people's deputies and those who wish it to receive consultations on the most crucial problems of foreign policy, world economics, international law, ideological questions, and protocol.

State Customs Control Chief on Responsibilities, Goals

90UI0085A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 20, Oct 89 pp 8-9

[Interview with Vitaliy Konstantinovich Boyarov, chief of Main Administration for State Customs Control of USSR Council of Ministers, by Ye. Kolesnikova; first paragraph is PRAVITELSTVENNYY VESTNIK introduction]

[Text] Biographical data: Born in 1923, Russian, education in law. Graduated from Higher Diplomatic School in 1970. Served in law enforcement agencies and worked abroad for USSR Ministry of Foreign Affairs. Member

of CPSU. In 1986 appointed first deputy chief, and in 1989 chief of Main Administration for State Customs Control of USSR Council of Ministers.

[Kolesnikova] You came to the customs administration 3 years ago, just when it ceased to be departmental office and became a state office. Now you head the administration. In short, you have witnessed the perestroika of the customs administration's operations. Has much been accomplished?

[Boyarov] I think it is too early to sum up the results. After all, they did not simply change the sign over our door; they assigned us a fundamentally different role, one which the customs administration has not played in state economic activity for the last few decades. The successful attainment of our new objectives will require the proper legal documents. Many earlier ones are obsolete, and others have to be drawn up on the basis of international experience. The work on the draft law on tariffs, for example, is already coming to an end. I hope the law will be passed soon. Then our administration will make perceptible progress.

[Kolesnikova] Could the old tariffs do that much to impede perestroika in your work?

[Boyarov] Certainly. After all, they were adapted for the centralized system of economic administration by means of directives, but today we are striving to employ economic methods.

[Kolesnikova] If the law is passed, what then?

[Boyarov] With the use of customs duties, we could stimulate or limit imports of various goods, increase the flow of foreign currency into the state treasury, and even influence the development of whole regions without issuing directives. I should remind you that there were special customs tariffs in the Far East, in the Karelo-Murmansk territory, and on the Asian border in the 1920's and 1930's. They were preferential tariffs, offering partial or complete exemptions from duties for goods imported by these regions. This practice had a perceptible effect on the development of the outlying districts of the Soviet State.

[Kolesnikova] A new customs declaration, similar to the one in effect in the world market, was instituted in September. What was the result?

[Boyarov] Now the documents accompanying Soviet shipments conform to international standards. Is this trivial? It might seem so only to the uninitiated. Each year the country loses 2-2.5 billion rubles in foreign currency when freight documents have to be changed abroad. Furthermore, the Soviet Union is still not party to the General Agreement on Trade and Tariffs. One of the GATT membership requirements is an efficient system of statistics, showing how many commodities of various categories crossed the border. Regrettably, none of our agencies has this kind of system at this time. The

records of the State Committee of the USSR for Statistics show, for instance, that a certain plant reported the production of 1,000 tractors on a contract and shipped them. No one, however, knows what happened to these tractors later. Did they cross the border, or did they perhaps return? This does happen, for instance, when products are of inferior quality. As a result, the overall picture of foreign economic ties is unintentionally distorted.

[Kolesnikova] Who, in your opinion, should keep records of freight crossing the border? Should this also be the job of the customs administration?

[Boyarov] That is the only correct solution. Accurate records are connected directly with the licensing of goods, constituting the basis for qualified decisions on what should be exported at this time and what should not be exported under any circumstances, and for the establishment of export quotas.

The main administration will have a computer center in half a year. The statistical data we collect and process will give us precise information about foreign trade. Incidentally, we do not intend to keep this information secret. We will be publishing the data.

[Kolesnikova] The government spared no funds in developing the customs service, but you uphold the economic principles of interrelations. It is clear, therefore, that you intend to give as well as take. How much money does the customs administration make?

[Boyarov] This year we will earn more than 100 million in rubles and foreign currency in extra-plan income, but three and a half years ago, when perestroika was just beginning, the figure was 45 million. Furthermore, this is not the limit. We are seeking ways of increasing budget revenues. For example, with the government's consent, we instituted something known as standard package invoices. I will explain what this means. If someone abroad wants to send a package to a friend or relative in the Soviet Union, he can choose the item from a standard selection. Foreign firms will then take on all of the responsibility of sending the package, and the sender will pay the duties locally in foreign currency. The rates are such that they make the shipment of packages convenient. It has been less than a year since we instituted this new practice, but receipts so far have been close to 1.5 million rubles in foreign currency, 400,000 of which was earned by the customs administration.

Nevertheless, the state customs service has been neglected to such a degree that it will need serious help to stand firmly on its own feet. Whereas the customs service has the necessary facilities in airports, vehicle checkpoints—the places where vehicles cross the border—often lack even the elementary conveniences, not to mention the necessary technical equipment. Officially, the vehicle checkpoints are the responsibility of the RSFSR Ministry of Motor Transport and Ministry of Transportation and Highways and of corresponding ministries and departments in the union republics, but

no one actually takes charge of them. The rapid development of international contacts calls for better border facilities. Otherwise, we will continue losing colossal sums.

This is why we want to ask the USSR Council of Ministers for permission to use all of the income of the customs service only for its development in the next 10 years. In 10 years, or perhaps even sooner, the border checkpoints could be completely functional. All of the buildings, equipment, and documents will meet international standards. This period of time was not "plucked out of the air"; it was calculated by experts.

[Kolesnikova] Knowing the work methods and capabilities of our builders, I would hesitate to call these calculations realistic. I once saw a Chinese checkpoint. It had banks, hotels, and restaurants. And after all, you will have to build more than one dozen such complexes.

[Boyarov] It is unlikely that we will be able to do this without the help of partners from the socialist countries. We have established a foreign economic association to take care of the material side of the fundamental reorganization of the customs service. One of the first tasks will be the establishment of a joint printing enterprise. It will be essential. Declaration forms should be made of self-carbon paper, but none is produced in our country. We have spent 1.5 million rubles on the production of 10 million forms in France, but they will not last long. Next June we hope to arrange for the production of domestic paper equal in quality to the imported paper.

[Kolesnikova] If the customs service develops according to your plans, you will need a qualitatively new personnel training system. What is being done in this area?

[Boyarov] Around 3 years ago, 2,500 people worked for the customs service, but now the figure is already close to 8,000. I am certain that this figure will triple. For the sake of comparison, the tsarist customs service employed 35,000 people, and at that time no one even dreamed of the present volume of work.

The decentralization of economic relations made the growth of the customs service staff necessary. In the future we will have free customs zones and more trade partners. We will need quick and qualified inspections of goods. We have to teach people to do this, but we do not have any good teachers or textbooks, and the legal basis is obsolete. Now we are planning to institute training in two stages—the specialist will undergo his initial training directly in the customs service and will then move on to the Advanced Training Institute in Moscow. It is true that we still do not have the facilities for this and will have to rent space, but soon we will put up a building near Sheremetyevo Airport.

[Kolesnikova] Vitaliy Konstantinovich, do you like your new job?

[Boyarov] I certainly do. When I found out there was a chance I could work for the customs system, I made my decision without any hesitation. I do not regret it at all.

Flaws in Customs Regulations Criticized

90UI0097A Riga SOVETSKAYA LATVIYA in Russian
11 Oct 89 p 4

[Article Ye. Zarutskaya: "Border in a Suitcase, or Reflections of a Reluctant Smuggler"]

[Text] When I was getting ready for my appointment, one of my experienced colleagues said: "You certainly came up with a strange topic. What could be interesting about the Riga customs service? It is so provincial...."

It is true, I thought, that trains cross the border of the USSR far from Latvia and that there are no regular international flights here. Of course, seaports represent a big window to the West, but cruises are no more common in our republic than the game of golf, and the customs inspections of fishing or freight vessels and their crews (unless they turn up some "sizzling" facts) are not a matter of great interest to the population of our republic.

I might have listened to my colleague's advice if it had not been for one matter I could not discuss with anyone but a customs official. I certainly would not go to Moscow or Brest to do this, and this is why I ended up in our republic customs administration. And not just anywhere, but in the office dealing with smuggling. Do you remember the thrilling stories about this office in detective and historical-revolutionary films? I have no doubt that even today this division could provide the material for new and equally thrilling plots. I must admit, however, that I had no great difficulty bypassing this juicy topic because I really wanted to talk about...myself. I hope the fans of detective stories will forgive my weakness.

The fact is that I am a smuggler. There is no point in giving me that innocent look, because you are a smuggler too, and so is your wife, and your brother, and your son. All of us are.

Oh, you have never been across the border? Then put down this newspaper. Are you planning to cross the border? Then join me in a frank conversation.

In my life I have crossed the state border of the USSR three times on my way out of the country. As the shrewd reader might surmise, I have also crossed it three times coming back. Just like thousands of my countrymen, I am well acquainted with the strange feeling of dread aroused by an encounter with customs officials. There would seem to be no reason for it: There is no false bottom in my suitcase for the concealment of illegal drugs and there are no diamonds hidden in the heel of my shoe. There is a fine scarf in my suitcase, however, which I plan to give to a Bulgarian colleague. I have folded it neatly among my personal belongings, in the

hope that no one will be digging through them too much. The fact is that the scarf cost 30 rubles more than the amount allowed for a gift—100 rubles. This summer I brought back a skirt from Hungary which cost twice as much as the 30 rubles I exchanged for forints. To make this purchase and simply to have at least minimal maneuverability, I sold my gold ring in Budapest. Let him who has never tried to loosen the iron grip of customs restrictions in this way cast the first stone.... Are there no volunteers? Then let us discuss our prospects.

As far as the democratization of our borders is concerned, perestroyka has clearly been successful. The flow of tourists, businessmen, relatives, and friends crossing the border in both directions has doubled in just the last 2 years. It is no coincidence that the customs service was one of the first to become the object, and in many cases the initiator, of various reforms. In particular, we have been literally engulfed by a flood of documents permitting, prohibiting, or restricting imports and exports of various goods. Their final aim is admirable. It is the protection of the country's economic interests, the domestic market, the consumer interests of each of us, and, finally, the moral foundations of society.

This is precisely the purpose of the present activity of the customs service, which is confidently making the transition from a group of sentries yelling "Halt! Who goes there?" to one of the country's most important economic levers. This transformation, however, has been accompanied by serious growing pains. One of them is clearly reflected in Regulation No 118 of the USSR Main Administration for State Customs Control of 21 July 1989, which concerns the personal computers that are in such disastrously short supply in our country. It says that all computers will be passed by customs duty-free if they are not intended for "exchange, sale, cooperative use, rental, or use in personal business activity or any other activity generating an income."

As a result of this narrow departmental "good" intention, 1 percent of the country's population loses the chance of earning an income, but the remaining 99 percent loses the chance to move at least one step ahead in an area in which we are hopelessly and disgracefully behind the rest of the world. The few computers which do somehow make their way into the country will continue to be insanely expensive and will remain accessible only to those who have the aforementioned "income." This only proves that the most innocent intentions can have the most negative results—a cat may be the most savage beast of all.

But let us come down from this high plane. Why am I discussing personal computers when we do not have the things we need most, the vital necessities? Our domestic market is still being guarded vigilantly against these.

"Today there are no restrictions on items brought into the country from abroad," I was assured by N. Gusev, the chief of the republic customs administration, "if they are brought in for personal use. But what if someone

brings in, for instance, 100 cosmetic kits? This is already part of the shadow economy."

It is interesting that when these 100 cosmetic kits (actually there were several hundred) entered Riga in this way, cosmetic prices fell to almost half of their previous level, not to mention the fact that they became accessible to each woman. Experience has proved so many times that the notorious shadow economy can withstand any prohibitions. Only an abundance of goods can kill speculation. Of course, it would be a good thing if it could be an abundance of domestic goods rather than imported ones, but I am afraid that by the time, for instance, the Pirmays Mays factory learns to make shoes meeting the requirements of discriminating buyers, their feet will have been twisted by senile gout.

There is no question that foreign tours and trips to visit friends abroad will not solve the problem of our economy's failing health, but this poor health is sometimes aggravated artificially during these trips. Yes, the ruble is not convertible, there is little foreign currency in the country, and we are living through a difficult time, but should these difficulties be the explanation and the excuse for everything? Is the constant conflict between the two personalities living within each of us—the plain human and the citizen of the country—still so inevitable?

When we travel abroad, we seem to be dressed worse than anyone else, and we appear shamefully stingy and parasitical to the relatives, friends, and colleagues who dare to play host to us. Why can we not even afford the luxury of being at least polite enough to present gifts to our hosts, as people do in every country, in line with our own taste, discretion, and...pocketbook?

The limit of 100 rubles on the gifts we take out of the country certainly cannot cover the millions of rubles the state lost as a result of mismanagement and stupidity. It only turns us into reluctant smugglers. And do we dare wonder how the moral image of the Soviet individual, which we have proclaimed our greatest treasure, looks behind this palisade of prohibitions, most of which are obsolete? After all, we still have to take this treasure abroad in only the minimum quantity.

With every step we take abroad, we bump into 100-ruble, 30-ruble, and other barriers. They are solidly in place because the customs code (the main legal document establishing the legal principles of the movement of goods across the border of the USSR) has been in force since 1964, despite all of the winds of change. It is not surprising that, with this kind of foundation, we hurt our personal mini-economy and our morale when we run into these obstacles.

I would be happy to hear that this obvious fact is starting to make a dent in the iron-clad bureaucratic thinking of some departments. A resolution passed a month ago says that gold items with a value of up to 500 rubles can be carried across the border without being declared. I learned this when I told a customs official about the ring

I had sold in Budapest (I am certainly not suggesting that this gold should be taken out of the country for sale, but I am just remembering how our people had to ask their fellow-countrymen for 3 forints near a pay-toilet in Hungary). In the same way, 50 dollars, or an equivalent amount in other currency, can be taken across the border in both directions without being declared.

Perhaps these timid steps toward the restoration of our human dignity are the beginning of a serious change in the pitiful status of the Soviet individual abroad. And at the border. The "red light—green light" system is being used more widely in the Soviet customs network. It has just been instituted in the Riga seaport. A passenger who feels that he has something to declare to customs inspectors passes through a checkpoint with a red light. The traveler who is certain that his luggage is "clean" goes to the green light, where no one touches his suitcases. It is true that customs officials still have the right to make random searches, but you will agree that this is almost revolutionary.

When I returned to the editorial office, I told my experienced colleague that he was sorely mistaken. I told him that the former Riga customs administration, which has now been reorganized as the Latvian Republic Customs Administration, clears 5 million tons of freight through customs a year; that 50,000 passengers (unfortunately, most of them were foreigners) went through customs just during the first 6 months of this year, which was equivalent to the number for the whole last year; that its files contain the most interesting stories about the apprehension of drug and weapon smugglers and its tiny museum contains some fascinating examples of concealment devices and techniques; that the Riga airport acquired "international" status this year and will soon offer regular flights abroad; and that the dozens of large foreign exhibitions which are now held in our republic each year also represent a border temporarily running through a variety of cities. I told him that when Latvia makes the transition to economic autonomy and "we will play host to all flags," the Latvian Republic Customs Administration will almost certainly leave the wretched and minuscule premises it occupies at this time—the premises that discredit the country, which begins here for hundreds of people.

I also told him about V. Nechayev, the senior inspector in the smuggling control office, with whom I had a particularly long conversation. Viktor Vasilyevich does like to repeat an ancient Japanese proverb in response to questions about our travels abroad: "Your eyes should not be bigger than your stomach." There is no question, however, that he symbolizes the qualitatively new personnel who should come to work for the Soviet customs service—erudite, educated, and intelligent people. As for the proverb, he must realize that the Japanese used it in reference to people whose stomachs were already full.

Agreements on Imports To Modernize Industry Explained

90UI0096A Moscow PRAVITELSTVENNYY VESTNIK
in Russian No 21, Oct 89 p 10

[Letter to editors and response by G. Sakulin, first deputy chief of Main Administration for Export and Import of Machines and Equipment of USSR Ministry of Foreign Economic Relations: "When Credit Does Not Hurt"]

[Text] "I agree with the government's decision to use overseas credits not for the purchase of goods, but for the establishment of our own facilities for their production. I am trying to convince others that this was the correct decision and am advising them to be patient for another year or two, until our industry is developed. This is what we were told by Chairman V. Malkevich of the USSR Chamber of Commerce and Industry in the article 'Credits...' in the first issue of your newspaper. I would like to know, however, how credit agreements are being carried out, whether equipment is being delivered on schedule and, finally, how its installation and incorporation are progressing.

"L. Kurganyuk, Uzhgorod"

These credits have already been used to underwrite contracts signed with firms in capitalist countries on the delivery of equipment for the modernization of more than 600 enterprises. They include sewing and knitting factories and enterprises for the processing of natural furs and the production of artificial furs, for the production of particularly stylish men's and women's leather and athletic footwear, knitwear, and women's sandals. Other equipment is designed for the manufacture of cotton and silk fabrics and fabric blends, and there are also complete automated lines for the production of macaroni, powdered breakfast drinks, and processed cheese.

The new imported equipment will secure the considerable renovation and augmentation of the production potential of the country's social and agroindustrial complexes—for example, the annual output of fashionable women's sandals will double by the end of 1990 and will amount to 400 million pairs.

In accordance with the terms of contracts, equipment deliveries have already begun. Deliveries of equipment worth 21.8 million rubles were scheduled for the first half of this year, but the value of the actual amount shipped, according to enterprise requisitions, is 26.2 million rubles. The imported equipment is already being used in some enterprises in light industry.

The USSR Ministry of Foreign Economic Relations is doing everything within its power to secure the incorporation of purchased equipment on schedule. It has instituted constant supervision of the unloading of equipment, inspections of production facilities to ensure that they are ready for the installation of the equipment, and

administration of the supply of raw materials and manpower. The manufacture and shipment of equipment is being personally overseen by USSR trade representatives. The enterprises slated for modernization, for which the equipment was purchased, are located in all of the union republics, and for this reason the agents of our ministry in the union republic councils of ministers now compile monthly reports on deliveries of imported equipment to local enterprises and the progress in its installation.

The new economic methods are being used in remodeling most of the enterprises of the agroindustrial and social complexes with imported equipment in the republics.

Deputy Minister on Regulation of Foreign Economic Activity

90UI0089A Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 42, Oct 89 p 20

[Interview with Vadim Nikolayevich Shestakov, USSR deputy minister of foreign economic relations, by *EKONOMICHESKAYA GAZETA* correspondent: "Giving Preference to the Producer"; first paragraph is *EKONOMICHESKAYA GAZETA* introduction]

[Text] By the beginning of October the USSR Ministry of Foreign Economic Relations had registered around 9,400 participants in foreign economic activity in our country in accordance with Decree No 203 of the USSR Council of Ministers of 7 March 1989. More than half of them are production enterprises and associations, over 1,400 are cooperatives, around 700 are joint ventures, and more than 170 are the foreign economic organizations of ministries and departments. The registration of participants is continuing. Deputy Minister of Foreign Economic Relations Vadim Nikolayevich Shestakov told an *EKONOMICHESKAYA GAZETA* correspondent of the status and distinctive features of this process.

[Shestakov] Registration has virtually been completed in all of the remote regions of the country. It was conducted most actively in the European part of the USSR and is still going on there. Before the beginning of July, registration was conducted by representatives of the Ministry of Foreign Economic Relations in many of the country's cities. Now it is being conducted by ministry agencies. They exist in each union republic, and another 13 have been opened in the RSFSR. We want the exporter to be able to acquire a license in his own economic region instead of applying to Moscow.

[Correspondent] Many economic managers feel that the registration procedure, licensing, and limitation of the quantity of exports and imports (or setting of quotas) are inconsistent with the efforts to democratize foreign economic activity. There is even some talk of a "new wave of foreign trade bureaucracy."

[Shestakov] This is usually a result of ignorance or a naive view of foreign economic work in general. The

regulation of all forms of foreign economic activity by the state is an accepted practice throughout the world. As far as I know, there is state control of the prices, assortment, and quantity of exported and imported goods in all civilized countries. Normal economic operations would be simply impossible without this. Take a look at the tendencies that started taking shape in our country before this work began to be regulated. When enterprises were granted the right to conduct foreign trade operations autonomously, many took this as a sign that anything was permissible and began to simply ignore state interests.

In the middle of July 1988, for example, the Inter-Latvia republic foreign trade organization sold a Dutch firm 10,000 square meters of hothouse glass at 1.4 rubles per meter or a total of 14,000 rubles. It either did not know or was ignoring the CEMA minimum price of 1.75 rubles for this kind of glass. As a result of this transaction, the Soviet side lost money and the Dutch firm got rich and refused to buy glass from its traditional supplier, the Stroymaterialintorg all-union association.

In July 1988 a contract was signed on the delivery of hothouse vegetables to the Soviet Union from Bulgaria by the Moskva Agroindustrial Combine and the Bulgarian Oranzheren Combine. Contrary to the agreement on the establishment and operation of the Soviet-Bulgarian scientific-production association for the production of vegetables in winter hothouses, this contract was concluded as if it were an agreement between separate enterprises on...contract prices. Because the contract prices were twice as high as the existing prices of this kind of produce, the state lost around 20 million rubles.

Regrettably, many such examples could be cited. Therefore, the decree you and I are discussing was published at the right time. The decree itself and the lists of licensed goods and of agencies authorized to issue licenses were published in issue No 13 of *EKONOMICHESKAYA GAZETA* this March and issue No 3 of *VNESHNYAYA TORGOVLYA*.

Of course, it is impossible to establish a new system in a single day. The conditions of the transition period have to be applied. The most experienced exporters—the foreign trade associations of ministries and departments and the large industrial enterprises which had a tradition of well-organized foreign ties and which were working on earlier contracts—were permitted to conduct their foreign economic operations without licenses and declarations for the first 3 months after the publication of the decree. Since 1 July, however, there has been a single procedure for all participants in these operations.

When a license is issued, it is of fundamental importance to determine whether the participant in the foreign trade transaction is the producer of the goods or whether he is engaged in the resale of goods and will try to earn unjustifiably high profits from the difference in prices. We examine each case separately and give preference to the producer. If he has not had time to fill out a

declaration or simply lacks experience, the decision has been made on the basis of common sense, and usually in his favor.

[Correspondent] Does it seem to you that other participants in foreign economic activity are clearly in an unfair position in comparison with the foreign trade associations of the Ministry of Foreign Economic Relations, which have always enjoyed the strong support of their ministry?

[Shestakov] In the first place, participants in foreign economic activity are not obligated to conduct transactions only through all-union or sectorial associations and "submit" to their will. Foreign currency deductions and other incentives for any participant in this activity do not depend on the intermediary organization he chooses. Therefore, pressure by foreign trade associations on their "colleagues" in the sphere of foreign economic activity simply does not exist. We are fully justified, however, in saying that the foreign economic associations can offer qualified assistance to new participants. They know more about changing conditions in the world market and have a staff of representatives abroad. This alone gives them an advantage, and it is a sizable one. World experience indicates that operations by separate exporters frequently end in failure. It is no coincidence that small exporters try to use the services of existing specialized organizations and the new foreign economic associations and cooperatives.

Incidentally, the cooperatives, as the most dynamic link of our national economy, have shown a great interest in foreign economic activity. At first they only made use of consulting services, investigated possible forms of operation in the foreign market, and established cooperative unions. Today many of them have already been registered as full-fledged participants in foreign economic activity.

Some negative trends were also revealed during our campaign for the registration of participants in foreign economic work. The main one was the resistance of sectorial ministries. By refusing enterprises the right to register, they are trying to force producers to conduct foreign trade operations only through their foreign trade associations. This might be why the enterprises of some ministries are still biding their time and are in no hurry to apply to the Ministry of Foreign Economic Relations for registration.

[Correspondent] But why should enterprises not rely more on the foreign trade organizations in their own fields? Can you give us an exact definition of state interests in the regulation of foreign economic activity?

[Shestakov] These are nationwide interests, the interests of the entire Soviet society. Regulations can apply to different commodities, different countries, or other characteristics. If a certain product is in short supply in our country, exports are either prohibited or put under strict control (as a rule, for the purpose of earning money to pay for goods in even shorter supply).

Here is just one example. At the end of last year there was a tendency toward unrestricted exports of refrigerators, television sets, washing machines, sewing machines, vacuum cleaners, and other durable goods from our country. This had an extremely adverse effect on the satisfaction of consumer demand in the domestic market. In connection with this, the government decided to institute export licenses for durable consumer goods in 1989, which led to the additional allocation of hundreds of thousands of scarce items for sale in the domestic market.

Licenses are also required for autonomous exports of ferrous and nonferrous scrap metal, waste paper, and other industrial waste. The purpose is the organization of the efficient use of secondary resources, especially since these are ecologically clean resources and are needed in domestic industry. This will also put a stop to the unauthorized middleman activity of cooperatives and joint enterprises.

Production enterprises, on the other hand, have all of the necessary conditions for the sale of products and their own industrial waste anywhere, including abroad. The institution of genuine self-funding and economic accountability and the possibility of using their foreign currency receipts will urge them to take this kind of proprietary stance.

As for the control of autonomous trade with certain overseas firms, this might be dictated, as it has been in other parts of the world, by an imbalance in foreign trade relations. The USSR, for example, now owes a large foreign trade debt to Finland and Yugoslavia. The DPRK owes us an impressive debt. In connection with these circumstances and the ensuing settlement difficulties, import licenses are issued for goods and services from Finland and Yugoslavia, and export licenses are necessary in transactions with the DPRK.

[Correspondent] In conclusion, what is being done with the fees paid for registration (250 rubles) and licenses (50 rubles)? Is this another indirect tax?

[Shestakov] I want to stress that the fees are paid not by budget-carried organizations, but only by economically accountable organizations, particularly the informVES Association and others. Therefore, there is no reason to call this an indirect tax. The money is being used for the creation of an all-union data bank using modern channels of communication, for the compilation of the USSR State Directory of Participants in Foreign Economic Operations, and for the issuance of this directory and other publications.

Roundtable on Increasing Effectiveness of Joint Ventures

*18250203 Moscow SOVETSKAYA ROSSIYA
in Russian, 15 Sep 89 Second Edition p 2*

[Report on roundtable discussion on joint ventures by A. Zhukov: "Having Put the Hat on the Table. . ."; first two paragraphs are SOVETSKAYA ROSSIYA introduction]

[Text] The articles "Affera" [Fraud] and "Affera-II" (SOVETSKAYA ROSSIYA, 30 Jul 89 and 13 Aug 89) brought a lot of mail. The readers reacted differently to the events described in them, but one idea runs through all of them—the dissatisfaction with the present state of the Soviet Union's foreign relations and the necessity of their radical and soonest possible improvement. It is necessary not only to exclude the possibility of abuse on the part of visiting and home-bred crooks, but to find adequate solutions for the economic tasks which the people have put before the foreign trade officials.

The editors of SOVETSKAYA ROSSIYA held a "round table" on ways of improving foreign economic relations. Participants in it included the chief of the Treaty and Legal Department of the USSR Ministry of Finance, Yu. N. Lobov, the sector chief of the All-Union Scientific Research Institute for Market Research of the Ministry of Foreign Economic Relations, B. A. Sabin, the director of the Gruzavto p/o Avtoeksport Firm, A. B. Aleksandrov, the candidate of economics and deputy dean of the Diplomatic Academy of the USSR Ministry of Foreign Affairs, V. V. Azovtsev, the commercial manager of the XX Vek Association, V. V. Graboshnikov, and the director general of the SP [Joint Enterprise] Sovkuvayt-inzhiniring, A. B. Kozlenok.

Leader: Granting enterprises the right of going out directly into the foreign market, the fundamental structural changes in the system of the former Ministry of Foreign Trade, and the creation of a network of joint enterprises—all these, without a doubt, are important changes in our foreign economic relations (FER). However, the mechanism is far from working as one would wish. If it works at all. . . . To take, if only, the joint enterprises (JE). There are more than 600 of them, but a practical return is obtained from only 20-25, i. e., 3-4 percent. Now here, now there information appears about abuses in the JE, and even about the open detriment to state interests. And where is the very practical benefit for the people, the abundance which was expected during the creation of the JE? In general, what is now happening in this sphere? What is the situation?

V. Azovtsev: The situation, we will say directly, is not simple. Now it is already clear that the absolute majority of our foreign partners have created joint enterprises in the USSR by no means for the development of production and the expansion of the Soviet market of goods and services. Having utilized our inclination to work by spurts, they simply opened their own representations in the USSR under the guise of JE. And there are fewer expenditures and the traditional problems with the search for premises do not exist. . . .

It seems to me, up to now the foreigners are not interested to engage in productive work. Some are using the cover of the JE to collect economic information for the future, and others—they are the majority—are simply waiting, when the opportunity will appear to convert the rubles being earned in the USSR into hard currency. There is the following expression: "To put the hat on the

table." That is, to show that you are in the market, but not more. There is, it is true, what is called "searching" JE. They are prepared to work, to produce, to supply, but they need by way of compensation some kind of commodity to sell for hard currency. Let us say, the assembly of computers is set up in our country, and the foreign partner takes tomato paste in settlement of his profit share in rubles. Or coal, oil, timber. Anything, what would go on the world market to secure the valuta expenditures of the foreign partner. I know from experience: Even such exotic commodities as bone meal and sawdust, of which we simply have an abundance, go into the business.

Leader: It turns out that the JE is a pump which pumps out raw materials?

V. Asovtsev. Unfortunately, today, basically yes. We simply have to propose something to the partners, but the products of many JE up to now are not competitive.

A. Aleksandrov: But here I would not agree with you. Our JE do not want to search. And for nothing. But here in the V/O Avtoeksport system there is a joint enterprise with the British Satra Firm, which markets our light motor vehicles, motorcycles, and bicycles in England. And so, now not so much the Zhiguli as ordinary bicycle chains have become a "golden" commodity. We produce them, Satra in the JE brings them to condition, packaging for retail, marking in accordance with European standard, and the commodity goes, and how!

A. Kozlenok: And we have pretty good experience. Investing his capital in the USSR, our Kuwaiti partner has realized very well that he must not count on the quick turnover of the funds. But to be idle is impossible. For example, in the countries of the Persian Gulf, and not only there, an enormous quantity of table spring water in plastic bottles is imported. At home in the USSR, such water simply flows into the sea without any use. We decided during the first stage of our activity to pour such water into cisterns, export it to the FRG, and at a plant being leased there to package it in bottles, because we ourselves neither have such packing, nor the necessary equipment, and purchase requires large capital investments. Our share of profits in valuta from this operation is approximately 40 percent. Another example is the production of cheap summer footwear, which does not require high personnel skill. It does well in countries with a warm climate, and it also does not require any special reequipment. Further, our branch firm Agroekolog intends to process the extremely harmful chicken droppings into ecologically clean fertilizers, which are in great demand on the world market. The advantage is twofold: Both valuta, and a benefit for the environment.

Yu. Lobov: And nevertheless, there are too few such examples for those very registered 600 plus JE. If one assesses the situation as a whole, one can say that up to now we have not attained the goal with the JE. We hoped

for the rapid development of priority sectors of the economy with their help, and little is coming from this.

Leader: It turns out that the level of the two integrating partners is incomparable, a blind alley?

Yu. Lobov: The level is really incomparable, but it is not a blind alley. We must not take by quantity, not applaud every new JE, but by quality—including of the products being turned out. We must concentrate on those directions, where we can really show ourselves and our commodity will go on the market. We are now going through the stage of primitive accumulation, the stage of the formation of a surplus of funds, and during this stage it is vitally important not to allow the squandering of resources, controlling the conditions of their expenditure.

B. Savin: Talking about joint enterprises, it should be taken into account that we started with the use of this form of enterprise comparatively recently—only a little more than 2 years ago. For this reason it is premature to expect any real results today. All the more when the situation is being aggravated by specific problems of our economy. Take the question of the convertibility of the ruble. Evidently, it is impossible to solve it in a generally acceptable manner in the near foreseeable future. But the compensation transactions have showed themselves to advantage, where the expenditures of the foreign partner are covered through deliveries of a portion of the finished product of the enterprise. There is experience in the creation of bank consortia which finance production on future products. And it is no good to disregard the trade and mediatory services of the JE.

Yu. Lobov: Let us look a little along the vertical at what we now have. Joint enterprises. I can name only ten joint enterprises, where the capital stock constitutes on the order of 10 million rubles and more. I already am not talking about 30, about 100 million—these are only a handful. The absolute majority has a capital stock of a few tens of thousand, i. e., they are small enterprises.

Now we will see what stands behind this. There exists a theory that the small producer, from the standpoint of the interests of an upsurge of the economy, is more advantageous because, first of all, in turnover, and, secondly, in order to survive, he must produce some unique product. But look, what the small JE are really engaged in—everywhere engineering firms, moreover not in the best sense of this word, consulting firms, management schools, etc., etc. Will the JE in the immediate future create the basis which, first of all, will deliver up to the surface some products for the domestic market, and, secondly, will it yield some products for the foreign market to obtain foreign exchange? It seems, the answer up to now remains problematical. Consequently, in joint enterprises it would be necessary to regulate the kind and direction of activity, both legislatively and with the aid of economic levers, creating maximum advantages in the priority spheres where we have fallen behind most of all.

V. Graboshnikov: It would be reasonable to aspire also so that already in the composition of the statutes of the JE and agreements simultaneously to compel the partner to receive his foreign exchange only through the export of products. Only in that case will he himself begin to earn. Moreover, the conditions must be such that he would receive not the entire foreign exchange gain, but only percentages from it. Then he will search for the commodity and develop the production of the article which he can sell at home.

V. Savin: I would supplement this idea. We need a precisely processed system of legal information, as well as the means of obtaining, in the shortest possible period of time, exhaustive information about potential foreign partners. If some Jackson and Company comes and proposes mountains of gold. Who is he? What is he? What is his financial situation, his reputation? Where is his bank? This is the minimum we must know, before letting anyone through our office door. Such information—for a fee, of course—must be given by a specialized firm. If it is not created, the “frauds” will continue in the future.

A. Aleksandrov: The “frauds” will continue if we fail to bring the very system of the direction of the foreign economic complex and the legislation regulating our economic life into line with common sense. We say that the foreign economic system (VES) is an integral part of the economic complex of the country. Then why are two coordination organs being created separately in the USSR Ministry of Finance—for the domestic economy under the direction of Academician Abalkin, and for the foreign economic system—under another command? Indeed, they are two sides of the same coin and they must act within the framework of one structural unit. We continue to produce departmentalism. In legislation, in the presence of a thick palisade of various acts, regulations, and codes, we lack the one single element which the entire remaining world has reached long long ago. A law on companies—this is what we lack. There it is explained in detail how a statute is written, how the company functions, who is responsible for what and how, what responsibility is and how taxation is implemented. In our country, few have heard about such laws. But without them, you all the same cannot manage.

And another no less important law—about property. But it will be discussed at the forthcoming session of the USSR Supreme Soviet.

Yu. Lobov: Variants of a law on companies are being developed in our country in the USSR Ministry of Justice, and, possibly, in September a draft of such a document will be published. As far as the assessment of the legal aspects of the foreign economic system as a whole is concerned, there is already a really “slight confusion” here, which is called forth to a large extent by the haste of our legislators, on the one hand, and the legal illiteracy of our businessmen, on the other. Let us take our legislation. There the task of expanding the forms of foreign economic activity is set. Of what forms precisely?

Association, consortia, trading firms, all of this without any deciphering. Evidently, it is assumed that all know everything as it is. But I give my word that, if a survey were conducted now and our "ordinary businessmen" from industry and from cooperatives would be asked what a trading firms is and what an association and a consortium is, 99 percent will not give an intelligible answer. But nevertheless throughout the entire Soviet Union a movement for the creation of associations, consortia and trading firms is under way.

A. Aleksandrov: For us, the question of the training of cadres has become the Achilles' heel. At the present time, short-term courses for managers have become the fashion. But this is not a way out. Businessmen have to be trained for 10 years or so, and for this reason it is impossible to expect any great results from them today. In the former Ministry of Foreign Trade the best specialists we had were those who had been graduated from the evening Academy of Foreign Trade. A person at first will work for a few years, find out everything in practice, and then fortify this knowledge with theory. If we have effected a decentralization of the apparatus, then we need to be concerned with the cadre problem in enterprises working for export. Take specialists from positions in the academy, teach them languages, and give them specialized knowledge—that will make sense.

Leader: In concluding the discussion, I would like to generalize the basic propositions expressed in the course of the discussion. As the discussion has shown, the stimulation of the production activity of the JE oriented toward the solution of national economic tasks; the adoption of legislation on companies and property; the strengthening of control over the ways of the expenditure of financial and material resources within the framework of foreign economic activity; the creation of a system of commercial information; and the reform of the system of cadre training will become important elements of the restructuring of the foreign economic relations of the USSR. The degree of the realization of these ideas depends on the concrete practical contribution of each of their participants.

Work of Armenian Foreign Economic Relations Bank Described

*90UI0099A Yerevan KOMMUNIST in Russian
28 Sep 89 p 4*

[Interview with S.A. Chzmachyan, chief of the Yerevan City Department of the USSR Foreign Economic Bank, by correspondent V. Sarkisyan: "Foreign Trade Bank of Armenia"; first paragraph is KOMMUNIST introduction]

[Text] In view of the current rapid growth of foreign economic relations, banking services are an important factor. The establishment of the Armenian Republic Bank of the USSR Foreign Economic Bank is an exceptionally important event in this context. It was once the

Yerevan City Department of the national Foreign Economic Bank, and just a year and a half ago the institution had a different name—the Yerevan branch of the USSR Foreign Trade Bank. What does the change of names mean? Will it result in the necessary functional expansion of the financial institution's operations? This was the first question KOMMUNIST correspondent V. Sarkisyan asked S.A. Chzmachyan, head of the Yerevan City Department (his new title has not been approved yet).

[Chzmachyan] The reorganization of the last few years has given us the status of an autonomous bank. After all, in the past we were mainly involved in so-called non-trade operations: We served Soviet and foreign citizens in the exchange, purchase, and sale of foreign currency. Now, under our own aegis, we have attracted all of the foreign currency accounts of enterprises and organizations in our republic, including those of union jurisdiction. I do not have to remind you that representatives of local organizations and private citizens had to go to Moscow to conduct the most elementary banking operations in past years. Our volume of operations has increased and we have opened two new divisions for economic planning and currency exchange operations. This has allowed us to perform our work on the necessary professional level. Our new status allows us to extend credit in foreign currency after we have consulted the union bank. In time we will establish direct correspondent relationships with foreign banks, which will make it possible to conduct operations without going through the USSR Foreign Economic Bank. In fact, we have already established this kind of relationship with the Main Bank in Titograd.

In short, the "foreign trade bank" is expected to play a special stimulating role in the future development of foreign economic relations.

[Sarkisyan] How can you reconcile the concept of "autonomy" with "consulting the center"?

[Chzmachyan] Any of the currently popular references to central "diktat" are inapplicable in this case. The shortage of foreign currency in the country reached the point at which the USSR Foreign Economic Bank had to set up a special credit committee. Shortages are shortages, and this regrettable fact requires the proper approach. The committee sets unionwide policy on crediting in foreign currency. To a certain extent, this "economy" in the issuance of credit prevents the squandering of foreign currency that occurs when large sums are allocated for unpromising projects.

[Sarkisyan] But what about the economic managers who do not have the necessary currency but are "sorely tempted" by an offer from a Western partner?

[Chzmachyan] In this case they have to present technical and economic substantiation, down to the last detail, for the project and precise guarantees of the profitability of the undertaking. We will respond by soliciting credits. Therefore, the situation is not as hopeless as some try to make it seem. Any bank is nothing without strong and

prosperous clients. Foreign currency cannot suddenly appear all by itself, however much we might want it to. It takes purposeful work, and we will do everything within our power to support industrious and enterprising clients.

[Sarkisyan] Samvel Araratovich, after the December earthquake, the entire world responded to the tragedy. Donations came in from all parts of the world. How much did they amount to, where did they go, and have they been used for the intended purpose?

[Chzmachyan] The contributions we have received and are still receiving from abroad in aid to the victims of the earthquake are accumulating in accounts No 07000001 in the (still) Armenian Republic Bank of the USSR Foreign Economic Bank and No 70000412 in the USSR Foreign Economic Bank in Moscow and in the foreign currency accounts of the Union of Soviet Societies for Friendship and Cultural Relations with Foreign Countries, the Stankoimport Foreign Trade Association, and the newspaper MOSKOVSKIYE NOVOSTI.

In accordance with an order issued by the national government in February, all foreign currency will be deposited in our bank, and the account will be administered by the Armenian Council of Ministers. As of 25 September, the foreign currency in the account in Yerevan was equivalent to 22,893,400 rubles, with 16,371,200 in freely convertible currency. The funds deposited in the account in the USSR Foreign Economic Bank are transferred to the Yerevan account each week. The foreign currency in the other Moscow accounts is equivalent to 2,755,300 rubles, with 2,748,000 in freely convertible currency.

Here are a few of the largest sums deposited in the relief fund accounts: 1 million American dollars from Armand Hammer, 1 million dollars from the Government of Nigeria, 4.4 million pounds sterling from English organizations and citizens, 47 million Indian rupiahs from the Government of India, and others. We will never forget this unprecedented act of kindness by the world community and all people of goodwill who are continuing to offer nonrefundable aid to the republic. We place infinite value on the donations running into the millions and on, for instance, the 200 Polish zlotys (1 ruble 23 kopecks) from Grodno schoolboy Bowa Bdinicki or the 25 dollars from unemployed American Marvin Edek.

As for expenditures, we have no secrets in this area either. Currency equivalent to 320,000 rubles was allocated to the republic Gosstroy for the purchase of equipment from the Janoge firm (FRG) for the concrete reinforcement of buildings. Another 61,000 was spent on a technological sausage-making line for the meat combine in Kamo to improve the food supply in the disaster zone. Another 700,000 will soon be allocated for equipment for the production of reinforced concrete nonarterian pipes and collars for the industrial center in Yerevan from the well-known West German Georg Prinzing

firm. In addition, the Armenian Gosstroy will be allocated 604,000 for computers from leading foreign firms for automated design systems. Finally, another 3.2 million will be used to buy quarry equipment from Italian firms.

[Sarkisyan] What can you say about the bank's relationships with its clients?

[Chzmachyan] They vary. I should mention the republic Chamber of Commerce and Industry, which is developing foreign ties in a highly professional manner. The Apaga trust and Yuniservis firm have opened accounts and are accumulating foreign currency. The Sovyuginstroy joint venture is always on the lookout for business opportunities. I am not joking. This enterprise is building four 10-story residential buildings in Titograd and an exhibit complex for the Eksposentr Foreign Trade Association in Moscow and will soon begin work on the construction of a business center in Yerevan. The Mikrograf joint venture has managed to become quite successful within a short time. Partnerships of this kind are mutually enriching. Our domestic economy was artificially isolated from the foreign market for too many years, and this is why we are suffering from an acute shortage of qualified personnel with a knowledge of the fine points of foreign economic activity. We ourselves have had to work hard to make up for lost time.

I certainly regret the fact that I also have to report that some enterprises and organizations regard their accounts as "foreign travel funds." With this kind of mentality and this approach to work, we will not be able to build effective relationships. Pardon my banality, but each cent has to be used for the designated purpose and also has to earn dividends. This is a fact. Our meager foreign currency reserves make any other policy unacceptable.

[Sarkisyan] What kind of problems and difficulties has the foreign trade bank encountered?

[Chzmachyan] The bank is a bank, and we have our own specific problems. Our work volume has increased almost sevenfold in 2 years. In connection with the reorganization, we were the first to get a chance to hire the new personnel we needed, but we do not have a single extra meter of desk space. There are international standards which have to be met for the sake of our business. Our Western colleagues attach considerable importance to these things. We do not need mansions, but when people are clustered in the street, it does not do anyone any good. For us, the "territorial" question is the biggest problem.

I have to also mention the problems we have with Hungarian forints and Czechoslovak koronas. Every day crowds of people surround the building and demand foreign currency we do not have. The reason is that the Hungarian National Bank and the Czechoslovak State Bank set annual quotas on allocations of their currency and bills in this currency. The limits were reached in the first half of this year. They have stopped covering bank transfers. It is understandable that these countries want

to balance tourist and private exchanges with our country. Otherwise, the Hungarians, for example, would demand that the difference be covered with goods for which there is still a steady demand in our country and which can be sold for freely convertible currency. Whereas negotiations with the Czechoslovak side are going on at this time, and there is some hope of a compromise, we have no chance at all of getting more Hungarian koronas [sic] before the end of the year. I realize that this information is unlikely to make our tourists happy, but it is better for them to know the truth than to spend hours or even weeks standing in the street....

Foreign Economic Official on Trade, Financial Issues

90UI0069A Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENOGO PROIZVODSTVA(EKO) in Russian
No 9, Aug 89 pp 85-94

[Account of I.D. Ivanov, Deputy Chairman of USSR Council of Ministers State Foreign Economic Commission contribution to 20-21 May sitting in Novosibirsk all-Union Directors Club, under the headline "On to the Foreign Markets, Past Misleading Signs." Questions asked without attribution, article unsigned.]

[Text] I have accepted with pleasure the invitation to participate in the work of the directors' club. We are not indifferent to the feelings of enterprises who have entered a new sphere of activity for them—the foreign economic one. Especially, since this experience is not valued equally in various regions in the country. I shall try to describe that organizational-legal environment which we have created and explain why we did it this way and not the other way, and tell what we shall do.

I would like to hear your opinions, because frequently the viewpoint which gets formed in the government does not coincide with the views of those who work directly in foreign economic activity.

In the process of perestroika our economy will become more open, will help industry to attain a new level of quality of production.

To interest enterprises in foreign economic activity, from 1 April 1989 each one of them can enter the foreign market either through the foreign economics cost accounting units of the ministries, or independently. For those who prefer to act independently, a special registration has been established. We have to know how many and what enterprises participate in foreign economic contacts. The ultimate purpose of registration is the creation of a governmental commercial register of the USSR. It is needed for our enterprises and foreign partners. Such registers exist in all developed countries.

We hold to the opinion that actions of the enterprises on foreign markets must be regulated not directly, but by

indirect methods. In the form of controlling figures data on costs will be developed, and the provision of them as goods will be awarded

You all have already run into normatives. These are primarily differentiated currency coefficients by means of which our internal prices are converted into foreign ones. Naturally, they are extremely unreliable, but as long as the internal pricing system and world prices are isolated from one another, one has to use this surrogate connection, even though these coefficients are in the nature of an expense, there are too many of them (in the order of 4,000) they permit you to receive an unearned income, etc. But there is no other tie. Beginning with 1991 we will change the differentiated coefficients and will take a risky step: introduce a new, single ratio of the ruble in relation to foreign currencies.

Now the most important problem for us is the failure to fit intra-Union and foreign economic mechanisms. The matter is not even that the reform of foreign economic ties is running "ahead of the locomotive," which is the reform of the internal economy. Foreign economic activity cannot be healthier than the internal one. We had hoped that the reform of prices will bring together the internal and world market prices. Now it is clear that it will not happen.

But we will not save the coefficients anyway. We will introduce a new ruble course. How do you calculate it? Take two selections of identical goods, foreign and ours, let us recalculate them at the new prices and we will get a more or less realistic course for the ruble. Initial calculations carried out in 1988 show that it will be twice as low as now, while some specialists propose that now it should be 2.5 times as low. This course for the ruble will be used to recalculate your internal prices, and those prices with which you operate on foreign markets. It is possible, it will be necessary to foresee this course separately for each branch of industry or type of goods, though we would be very reluctant to do it.

We go after all this with a single purpose: To create, for enterprises, a single system of cost accounting for both internal and external operations. Otherwise foreign economic operations will never become part of the overall operation.

Members of the club asked I.D. Ivanov to specify...

What is a currency auction?

I regard this rather as an entertainment measure. When industry gets hold of its own money, it spends it extremely carefully. Half of this money lies until now in accounts at the Bank for Foreign Economic Activity. To speed its turnover, it was decided to carry out currency auctions. He who has surplus hard currencies will be able to sell it for rubles at the rate that will form at the auction. So far not one enterprise announced the presence of surplus or got ready to sell it. In order not to kill the idea we shall take R 30 million (\$ 50 million) and will sell it through the auction.

In the accounts of industrial enterprises there are \$ 750 million and we sell \$ 50 million, reserve ones at that. Auctions are no indicators, with the microscopic offering the inevitable requests to make some kind of conclusions about the course of the ruble, which is wanted from the auction, is impossible.

To further assure the enterprise it is decided that the part of the currency that will go into the government budget will go at the new, doubled rate. For each \$ 100, immediately \$ 30 will go to your account. \$ 70 you give to the government and get from the government budget 2.5 times as much in rubles. This is an attempt at a step in the direction of economic accounting in this field.

Please specify...

How do you feel about ruble convertibility?

Much is written lately about ruble conversion, especially by those with an indirect interest in the matter. A group of experts brought into the Council of Ministers a concept of ruble convertibility. There is talk of making our ruble a hard currency, which could move both inside our country and abroad. The ruble cannot be healthier abroad than inside the country. Therefore until we establish order at home, all talk about conversion is idle talk. One must put the question seriously, not try to ruin the country. If convertibility were brought in tomorrow, then R 300 billion in the hands of the population would go in a huge wave abroad. There they would not take them. The ruble rate would drop to unbelievable depths. Its every drop means that for a unit of foreign currency we will have to export more and more raw materials. The lower the ruble rate—the more expensive the import.

Thus the first thing is to stabilize money inside the country. Second, establish a sensible ruble rate, after effectuating a price reform. Third. The ruble must be in completely free circulation inside the country. You, heads of enterprises, must have full freedom to select merchandise and customers. This is possible only through wholesale trade and markets in the country. Fourth. To maintain the rate of the ruble abroad, we need a competitive industrial base, not a raw-materials one. This is possible toward the end of the 90's. From my viewpoint, earlier introduction of convertibility would be simply an adventure.

About the normatives of currency deductions. When they came into being, we were guided by a healthy idea—to activate Soviet industrial exports. Therefore normative deductions were visualized as being higher, the higher the amount of work done on the product. But we did not consider that the main part of our exports were raw materials, and these enterprises fell into exceptional situations. We cannot set straight the conditions today, because the normatives are long-term, till 1991. We intend to raise the normatives and apply them to any merchandise, without exception, exported by the Soviet Union, so that discounts would be received also by growing industrial enterprises. This will be done in 1991. Now from 10 percent (to 15 percent in the Far East) of

the receipts in free currencies to 100 percent receipts in transferable rubles you may spend on social needs. In view of the catastrophic conditions on the internal market in 1989 this portion was brought to 25 percent. But here a social injustice arose: only those enterprises which are paid in hard currency can stimulate their collectives. We will be able to adjust it beginning with the next 5-year plan, depending on how many normatives, as I said before, will be of a long-term character.

You can make these goods yourselves, or through intermediaries. An analysis of the first such arrangements has shown that if you contract at the level of an enterprise the prices are higher, because there are fewer parties. If you sell goods in the collective yourselves, the trade charge remains with you, if through trade organizations, you transfer it to them. But the difference between the import price and that at which you sell the goods to your workers goes to profit the government budget. The prices established are either current list prices, or if there are not any, established by oblast or city organs of the Soviet state.

Frequently an enterprise must have credits in order to start foreign economic activity. At this time we cannot give large credits. The total sum of hard currency credits given to enterprises totals R 1.5 billion. The Bank for Foreign Economic Activity is not in condition to mobilize additional means to give industrial credits. No matter what our publicists write, we cannot obtain credits abroad. Furthermore, many ministries, having taken the credit, propose that one can treat it like a ruble credit: not pay it. This involves the Ministry of Light Industry, Ministry of Automotive Industry, and Ministry of Chemical Industry. Frequently equipment bought for credit lies around. The store of uninstalled equipment totals about R 5 billion in the country. In many cases it is impossible to assemble it: It sank in the tundra, became old, rusted through, etc. We offered to introduce sanctions against ministries which allow imported equipment to deteriorate, by establishing for them an import deposit. If they want to buy additional equipment they must deposit its value in rubles in a bank. This sum would lie in the bank until the equipment is installed. It has been decided to examine this question in the framework of the new bank law.

Since 1989 a new form of credit has been introduced. A sum is earmarked from which you can take up to 5 year credit. This credit may be repaid not from currency deductions but from gross currency receipts.

A resolution is being prepared to regulate the work of Soviet economic organizations abroad. The whole world trades abroad and invests. We only trade. Any enterprise will be permitted to establish branches abroad, buy shares in foreign companies, operate with financial papers as they would in financing own operations or with the intention of receiving profits. They may operate on financial and commodity exchanges, issue stock, obligations, etc. All mutual relations will be based on economic agreements. Profits from these operations appear in full

in the enterprises' books and will be taxed in ruble equivalents. All of this will allow our enterprises to compete on a level field with firms of capitalist countries.

Please specify...

These operations will be possible only with permission of higher organizations?

One may establish operations abroad with permission of the superior ministry or the Council of Ministers of a republic. To engage in financial paper operations you merely inform the Ministry of Finance and the Bank for Foreign Economic Activity. Here you cannot talk about permissions, sometimes operations themselves take seconds...

Will we get the right to export raw materials?

If you will found a company abroad for raw materials trade and yourself are a producer of this raw material—please go ahead.

We constantly encounter a painful question—how to divide production between domestic and foreign markets. On the other hand, we now have exporters of identical goods, they aim at the same markets, and started interfering with each other. As a result these markets were spoiled, forced into a condition of overproduction. Prices tumbled. Nitrogen fertilizers, fish, coal, other goods. The outside world looks at us with a smile because the saying "everyone for himself, only God is for all" was popular in the mid-19th century. Now one does not trade that way. Civilized countries have associations of exporters, cartels, markets are divided, information about prices exchanged...Japan alone has more than eight hundred such cartels. Now stands the task before us to teach our enterprises not only to compete, but also to cooperate with each other. These two reasons gave us the impetus to introduce measures of operational regulation of foreign economic ties. We selected 27 merchandise positions, comprising 87 percent of our exports, and decided to introduce export licenses for them. They were assigned to those ministries which keep commercial statistics on these goods, or the Ministry for Foreign Economic Relations. Specialized foreign trade associations, which deal in these goods, get, within the limits of export plans, general open licenses for a year, and do not need permission for each separate deal. All other exporters of this merchandise get an individual license for each deal.

One can deal with that in several ways. But here are several examples. Capacities for processing scrap metal and paper pulp, clearly insufficient for our country, are running 20 percent below capacity. Partly because all who see fit drive scrap metal over the border. Meanwhile new rails are sold as scrap metal, steel processors turn the rails into shavings, cut into lengths, and sell as scrap. Cooperatives and joint enterprises did their bit, forgot about the tasks before them and engaged in speculation. This year we did not fulfill 2 million tons of contracted

foreign centralized delivery of coal. We are paying forfeits. At the same time coastal and borderlands trade sent out 600,000 tons more than planned. Started selling abroad goods of the market consumption fund—wine, building materials, butter, sugar, etc. Therefore licensing had to be introduced. This list of goods will exist till 1990. Apparently we shall shorten it in the future.

Thus, now work goes on among exporters, the purpose of which is to unite them, so they would work on the foreign market in contact.

Please specify...

What changed in the procedure of creating joint enterprises?

Any enterprise can create them with the permission of the Council of Ministers or a ministry of the republic. Cooperatives—with permission of those organs with whom they are registered. We removed many limitations: labor pay, premiums, for instance, you determine yourselves by agreement with the trade union, the plan is not given to them, etc. There is a fundamental problem, which holds up this activity and might put a stop to it altogether. These enterprises' supply from domestic markets moves with difficulty, and sometimes becomes impossible. They have no funds. They need electric energy, fuel, raw materials, etc. When creating joint enterprises, we understood that they are figured on the postreform Soviet economy. When will it become that way?

In 1990-1991 joint enterprises will begin to work on a large scale. Yet wholesale trade is hardly developing. Even if 40-45 percent of raw and finished materials will start moving these years through wholesale channels, basic materials will remain funded. Second problem. Foreign partners do not bring own funds into creation of enterprises, they take credit at banks. In the West credits are guaranteed by mortgages, that is fixed property. We do not have markets for fixed property. Maybe one should permit as guaranty long-term land rents? But this goes beyond our area of competence.

Please specify...

For what reason is licensing being introduced?

We decided that the USSR will be able to introduce limitations in the form of licenses and quotas on those trends in trade where our payments are out of balance. From 1 June we applied this measure to Finland and Yugoslavia. These countries also introduced individual licensing of deals with the USSR.

It will also affect the import of labor. For some reason, with a population of 280 million, we consider that all construction must be done by Finland, population 4 million. Various organizations, bringing a labor force from Finland or Yugoslavia, rent it out or sell it on the side, because they do not need them in such numbers. And the "cost" of one worker is R 70 per day.

Please specify...

Why is there licensing of prototypes? Customs requires it from us. This creates difficulties in higher-level mutual relations. Besides, customs are full of malpractice and bribery.

Write us a letter, we will deal with each concrete case.

About customs declarations. Now all statistics on foreign economic relations will be kept on the basis of them. That is the practice in all countries. They permit flooding with goods to be controlled operationally, liquidate breaks in trading, to calculate the volume of foreign trade, determine the de, to determine the legal rights of an exporter to make deals with this merchandise. Yes, on certain customs stations there are interpretations, there are mistakes in filling out declarations. But the process will continue. When it comes to bribery, it exists everywhere. Let us look into it together. Customs, by law, are equivalents of internal troops, therefore bribery is seriously punished.

A decision was made, according to which participants in foreign economic relations who break Soviet laws or act contrary to government interests lose the right to foreign economic operations. In this case it may not necessarily be ill will but also absence of experience, incompetence. Therefore the approach to such cases is intended to be flexible.

You will be working within this system.

Please specify...

How are things with free trade zones?

It is too early to talk about them. Unfortunately we first praised them then started thinking about what they are. One has to work out their concept. Now a group of experts is working on the creation of such zones in Nakhodka and in the Amur oblast, a technopolis near Leningrad (in the Vyborg rayon) and a free zone in the Novgorod oblast. We got a total of 22 requests from republics and oblasts. But they lack a technical-economic justification. The whole request consists of two small pages describing natural conditions and resources. There is no experience, and comrades sometimes become euphoric: a foreign uncle will come, build roads, hotels, will bring goods. How do you pay for it all? Thus since the concept of free zones is not yet developed, it is too early to talk about them.

We are not going to repeat the experience of developing countries and China, no matter how attractive it looks. Zones, to Chinamen, are little plots along the ocean coast, working for export, fenced off the rest of the territory. We need the zones primarily to supply the internal market and to act as practice grounds to work out new methods of management. Basic problems will arise on the borders of this zone, as an island of market economy in a non-market economy country.

How can one supply this zone? Give it funds? Then you also have to give it government orders. Shades of the past arise! At what prices do you buy its production? World? Wholesale? By agreement? How will they dovetail into the budget? And numerous other problems... We cannot act in the spirit of "let us create and look".

We have two major duties to industry. Waiting senselessly for an effect if not supplying the enterprise with economic information, especially on pricing. Sometimes they vary with us 2 to 2.5 times! It is absurd! Partly it is happening because the situation with the ruble is making profitable a gain on any currency quite regardless of its ruble equivalent. Unfortunately, all attempts to make the Ministry of Foreign Economic Relations to carry out its main function so far brought no success. A year ago they issued a booklet with names and telephone numbers of people who had the vital information. But with the beginning of the cooperative movement, cooperatives formed in the ministry which started dealing in price information. Happened that enterprises took up to 600 rubles to give a price published in all guide books. These cooperatives have now been driven out, a number of operators have been removed from the ministry. In the shortest time the ministry must institute a system of price, and later general commercial information. Both means and staffs have been earmarked for it.

Please specify...

We came across the most complete indifference on the part of trade representatives abroad. We get the feeling that while literally dying of boredom they will not lift a finger to help us. This applies even more to representatives of governmental entities abroad. Representatives of the Ministry of Instrument Making, Automation Equipment and Control Systems apparently have nothing to do at all. Can we tolerate this situation?

I am in complete agreement with you. At first trade representatives helped industry, demanding a commission for each arrangement. When that was forbidden to them, they fell asleep. But even that is not the matter. We simply cannot wake up the Ministry of Foreign Economic Relations. This Ministry was reorganized unintelligently. After that people let their hands down.

Our second obligation is cadres. We need about 50,000 specialists in foreign economic relations. Cadres concentrated in Moscow, Leningrad, capitals of Soviet republics are very difficult to move to other regions. Beginning 1 September 89 preparation of specialists will begin in economic institutions of higher learning in Kharkov, Leningrad, and Sverdlovsk. In the technical institutions of higher learning a course will be gradually introduced, entitled "foundations of foreign economic relations." Two business schools were opened, admissions were increased to the Academy of Foreign Trade and the Academy of National Economy. But there is difficulty with further steps. The bottleneck is the faculty. I shudder every time I read in the newspapers that a cooperative or an institute opens a managers' school

where the theory and practice of foreign economic activity will be taught. There is no one to teach. I would recommend to you to spend money more selectively.

In all, the situation is complicated. We have to, as before, export raw materials. We get cursed for that. The easiest thing to do is to forbid the export of raw materials. What will we trade then? Our internal unsatisfied market takes everything, one after another. It is not profitable to manufacture good artifacts for export. This unsatisfied state compels us to remove funds from exports and direct them toward the internal market. In 1989 a quota was introduced on the export of 8 types of consumer goods—machines, television sets, radio receivers, tape recorders, refrigerators, etc. Therefore we lost part of our refrigerator market, the factory at Krasnoyarsk suffered. Now this market has to be “reconquered” again.

It seems to me that we put the wrong goals before our machine building. By 1992, 90 percent of the production must be to world standards. Now machine builders consider that this standard is met by 23 percent of their production, while the portion of machine building exported is 2.7 percent. In the last year it also fell. If we continue to move along these misleading guidelines, then it will be difficult to count on a renewal of the nomenklatura

Please specify...

You talk of 2.7 percent of exports within the figures for machine building. Now the Tomsk bearing factory,

trying to enter the world market, finally got there, but cannot get the full amount of hard currency. The minister was required to buy missing types of bearings for hard currency abroad. The foreign trade company EMU truly goes along. Therefore the factory gets only 30 percent of the amount of currency deposited. The choice is to enter the foreign markets independently or to lower exports.

The State Committee for Materials and Technical Supplies regularly does not give out for export the planned amounts of bearings. It is also true that foreign trade firms get the enterprises hog-tied, checking their contracts and insisting that only they will conclude them. The Minister really got excessively into debt. The branch collected credits in the billions, and has nothing to repay them. The 30 percent normative has been established for your branch. If you will go into the foreign market without help, these 30 percent will remain, and for the rest you will get compensated in rubles.

We now want to go over from the export of unrenovable raw materials to the export of forest or renewable ones. But large capital investments are needed here, therefore the Ministry of Forest Industries gets 30 percent of the gain from export. It is going over to currency independence. As you see, comrades, problems in the area of foreign trade are very serious. They are still to be solved.

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U.S. Investment, Joint Venture 'Amscord' Discussed

90UI0054A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian, 15 Oct 89 p 3

[Article by T. Galyuk: "A Thousand-Mile Road"]

[Text] A thousand-mile road. This is precisely how Soviet and American specialists defined the prospects for developing foreign economic ties when they signed the protocol of their intentions. The very fact that cooperation will proceed under the auspices of the USSR All-Union Economic Society attaches importance to this event. Because, according to its chairman, USSR Minister of Finances V. Pavlov, this public organization, which unites the country's great intellectual powers today, boldly accepted the responsibility for solving "painful" problems within the framework of restructuring processes. We can imagine a situation where the public will be able to take faster, more flexible steps in implementing long-range foreign economic cooperation. Because all government and official circles are always concerned with a number of conditions that are hard to meet.

Where are we to obtain the financial resources that would support practical attainment of such difficult objectives? The American side will provide them completely. More precisely, a "For Perestroyka" fund created recently in California. It is represented by the so-called Menlo Group, which brings together some large financial organizations. For example the Franklin Fund and Sutro.

The discussion is presently centered on investing several million dollars into the Soviet economy. But in the future, according to estimates of the Americans themselves, this sum will exceed \$100 million.

Such a fast rate of investment is explained by the continually increasing interest of American business in perestroyka in the USSR and by the wide prospects that now exist, in the sense that America and the Soviet Union are similar in many ways in the scale of their economic activity.

Well, it must be said that the forecasts are truly tempting. But in any case what we have here is a financial group made up of organizations that are not indifferent to the fate of perestroyka in our country. This is also confirmed by the desire of the Americans to create a joint program involving a large number of economic directions. It will be aimed chiefly at eliminating the "empty" shelves in our stores and at creating production procedures and operations producing consumer goods. Developments involved with environmental protection will be an important part of this program.

"Moreover," says Andy Mukerdzhi [transliteration], one of the leaders of the Menlo Group and Sutro's vice president, "we will try to at least partially resolve the problem of the convertibility of the Soviet ruble by

means of carefully engineered barter deals. They will essentially not be as primitive as for example barter between Pepsi Cola and Stolichnaya Vodka; we intend to involve more than three or four partners."

But some may express the doubt as to the guarantee that the invested dollars would be directed into the needed channel, rather than being cast to the winds. Some might, but American businessmen, with their inborn enterprising ways and their habit of going into all deals wisely, have probably thought about this factor. In one form or another, all representatives of the Menlo Group talked with me about one guarantee on the Soviet side—perhaps the main one. It is the competency and business-like efficiency of specialists with whom initial contacts have already been established. In this case the Americans necessarily emphasized that business is business, but they also stand to gain exceptional satisfaction from being a part of the changes occurring in the USSR and contributing to the improvement of relations between our countries. "And as far as profit is concerned, we'll make it," Andy Mukerdzhi vowed.

Every road begins with a single step. In this case with the birth of the Soviet-American joint venture Amscord. Besides the USSR All-Union Economic Society, the Inforcom foreign economic organization and the Exhibition of the Achievements of the USSR National Economy have also become founders on the Soviet side.

The main goal of the new joint venture is to scientifically substantiate development of investment directions, and to seek and select partners wishing to establish specific economic relations and create joint ventures. Desires must doubtlessly be reinforced by knowledge in this area. Amscord can provide both foreign and Soviet citizens with assistance, consultation and development of everything necessary for the creation of joint ventures (beginning with the ability to conduct negotiations and ending with the signing of charter documents). Its charter fund is divided proportionately between the Soviet and American participants. It also includes the material base on the Soviet side. This material base consists of buildings and equipment for training and consultation centers. The amount of the charter capital is relatively low, on the order of \$300, since the new joint venture presupposes engaging in consultative activities.

Dollar Counterfeiters Apprehended in Vilnius

18001712 Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian, 16 Sep 89 p 4

[Article by I. Yermakov: "They Were Selling Counterfeit Dollars"]

[Text] ...They tried not to attract attention to themselves. They talked in undertones. They kept their eyes averted. Finally, they came to an agreement and extended their hands toward each other. In one were Soviet rubles. In the other, US dollars.

However, the precautionary measures did not help. Several seconds later, following a brief struggle, these hands were in handcuffs.

"The group of counterfeiters from Minsk," said the deputy head of the department of the Administration for the Struggle against Embezzlement of Socialist Property and Speculation of the USSR Ministry of Internal Affairs, N. Ponomarev, "were caught red-handed in the streets of Vilnius." Citizen Polshi presented the other side of this illegal financial operation. The counterfeit US banknotes prepared by the criminals from Belorussia in 1-, 20-, 50- and 100-dollar denominations were exchanged as usual for Soviet money. The exchange took place at the black market exchange rate: twelve rubles to the dollar. The counterfeiters were exposed by members of the Administration for the Struggle against Embezzlement of Socialist Property and Speculation of the

Belorussian Ministry of Internal Affairs, M. Antsipovich, M. Sazonov, I. Zholnerchik and I. Savchuk. And the police action was supervised by deputy head of the republic's Administration for the Struggle against Embezzlement of Socialist Property and Speculation, Ya. Ilnistkiy...

Unfortunately, there was an unpleasant aspect to the important process of expansion of international contacts. It turned out that the group had also had previous contacts with foreigners. At present, it is difficult to judge the scale of the phenomenon as a whole throughout the country, but this specific case will provide a great deal of food for thought. During the arrest of the group of criminals and search, almost five thousand counterfeit dollars, as well as weapons, were seized. The group's statement of "service" also included the burglary of one of the "clients". And the cooperatives, whose employees were among the criminals, were excellent places to "wash themselves clean" of the money they had acquired.

Swedish Foreign Minister Terms Soviets 'Good Friends'

18070360 Moscow OGONEK in Russian No 36,
2-9 Sep 89 pp 8-9

[Interview with Sten Andersson, Swedish foreign minister, by Vitaliy Korotich, editor-in-chief of the journal OGONEK; time and place not specified]

[Text] [Question] Your life, Mr. Minister, is closely linked with the concept and idea of socialism, and you yourself were not born a minister—you served indeed as a courier and postman. I would like to ask: What does socialism mean to you? In the sense of its idea and significance?

[Answer] I think it is necessary to begin with the fact that all people are equally valuable. Wherever you were born, whatever happened in your life, you have the right to be treated equally with others. This is a question of solidarity. And, from my point of view, all people must have not only the right, but also the possibility of participation in that which concerns political life, democracy, social security, cultural and economic life. Therefore, if you base your strategic policy on such an idea, it will be a sufficient basis also for practical activity. The present leader of our Social Democratic Labor Party, Prime Minister Carlsson, called society a well-selected crew, in which all strive for the common good and there is an absence of a bad attitude toward anyone. . . . This is the chief idea of socialism. Excessive dogmatism should be avoided, there should be no declaration of the right of the ownership of the concept of socialism itself. In the final analysis, the idea is that we are trying to correct the situation in society and to control the development process attentively. I can say that technical progress creates a threat for a great many people. It is impossible to forget about the requirements for education and about the fact that many people may turn out to be weak, not so developed intellectually. There are various possibilities. . . .

We must do everything in our power in order to help all people—including the weakest—to occupy their place in the life of society. I think that the greatest task for the labor government is concrete results; in so doing, chaos must not be permitted.

[Question] This is remarkable, and you really believe in this, which is demonstrated by your activity, since you have gone through a great many steps in your own development, you lived a rather difficult life, you stood up for yourself, for the time being you have become one of the leaders of the government. How does your life today take shape within the framework of this idea?

[Answer] I do not think that my situation today puts me higher in comparison with others. I believe that every person has his role in society, and every role is important. For this reason, I can talk about a great deal with people and I feel natural among them, like one of them, indeed we are all alike.

[Question] In my country, during all the years when I was studying—in the school and the university—when I was working, all the time there was talk about the domination of the interests of the socialist countries, about class values, as almost the only ones. Now changes are beginning in the Soviet Union, we are talking more about all-human values, the country is becoming more understandable and normal, it treats countries with different political paths more benevolently—we are aspiring to this. What is your attitude, as an experienced political figure, to the changes in the Soviet Union? How, in your view, are they developing?

[Answer] Yes, great changes are taking place, and this is a normal process as long as it is moving in the right direction. I am very interested in how it will continue. I visited the Soviet Union for the first time in 1965, and I remember very well how the atmosphere of those years from that of today. Today there has begun to be more openness, more honesty. Yes, I like this very well, but, it goes without saying, you still have a long road ahead of you. At the most different levels, your people are not used to independent decisions and to responsibility for their decisions. The Swedish family is happy since we have been living without war for over 175 years and for a long time already we have had the possibility to build our society in the world and without interference from the outside. I believe that we can learn a great deal from other countries, including from the Soviet Union. I think we can exchange ideas, experience, etc. This also pertains to the United States.

Not long ago, a Swedish delegation, consisting of representatives of large companies, came to the United States. And in their country, they very much wanted to find out how we succeeded in solving, in particular, the structural problems of industry, as well as the problems of the market of manpower resources and the system of social security. And then an influential and prominent economist declared in Congress: "If in the next 6 years we can do what the Swedes did during the past 6 years, we will be satisfied." I do not want to say that we have created the ideal system. We have a long road ahead of us before we will create a society in which people will be of equal value, i. e., a just and natural system. But most of all I am frightened by the fact that now some specialists, including people who occupy radical positions, say: During 20 years the population of the country has been growing. But in such a wealthy society the gap between the lower and the upper classes will deepen, you understand? If we had more funds today, it would be possible to solve many problems of society. However, we have all the necessary resources. The radicals assert that we will create a completely different society, but I cannot agree. Everything depends on us, but very much depends on new ideas. I want to say that everything depends not only on some kind of abstract wealth of the country—a great deal and, above all, on ideas!

[Question] Nevertheless, our country suffers from one problem from which we are hurrying to rid ourselves: The level of the political culture of the masses is very

low. You see, sometimes M. S. Gorbachev attempts to attain quick results, but people are needed who massively understand a high level of political thinking. For many years, we have lived in the world of utopias. The situation was as follows: You need communism, let us say, the day after tomorrow—you will get it, but also everything else you like. At least the other leaders of my country tried to raise their citizens with political dum-mies.

M. S. Gorbachev started to act from realistic positions and tried to tell the people: You will receive this—not now, perhaps, tomorrow or the day after tomorrow, but above all it is necessary to work. But the political culture of the listeners sometimes prevents people from understanding how much it is necessary to work.

Do you always feel in Sweden that people understand you, that you enjoy their support, or that your most important steps meet with the understanding of the people? Are Swedes now interested in international politics? In our country, all have now become politicians, and in your country?

[Answer] Allow me to say at the outset that I look upon Mr. Gorbachev as one of the greatest statesmen in the world. He is a great politician. A problem arises, which previously confronted the majority of statesmen: When they encounter domestic problems, the first thing they do is to create an external enemy in order to secure the unity of the people. But you did not embark on that path, although I understand that a multitude of problems exist in the Soviet Union. There is a multitude of tasks, in many respects the past policy must be corrected. You know about this. But simultaneously Gorbachev is trying to solve also external problems peacefully. This calls forth admiration in me. And we are interested in the continuation of the policy of restructuring and glasnost. But if you succeed in also awakening the activeness of people, they will have to express their own opinion. What they will say, must have an influence on the political life, which, in my opinion, has not happened in Soviet history in the past.

You are now trying to create a new atmosphere in the Soviet Union, you are trying to activate people. Having information about what is happening, they can take part in the process of government. But they have not become used to this, they need time. And I hope that Gorbachev and all of you will have sufficient patience. This is also a question of education. The people in the old days were serfs. I used the word "serfs", and not "slaves" since you did not have slaves. But before long, perhaps, they will have nothing to say, nothing to choose from, they will not have the possibility to make up their mind. . . .

Not we must determine the system of government, but the people. Thus, people obtained freedom and discovered that they are persons who can influence political life.

[Question] Extremely interesting, but it seems that one of the chief present dangers is the stupid rich person. The

Soviet Union, possibly, is one of the last genuinely reading and listening countries. But many people are afraid that you, abroad, will start to become increasingly rich, will buy and produce cheap video tape-recorders and records with recordings of metal rock. We rush to follow in your footsteps. And culture will die. . . .

[Answer] A high level of political thinking in society is necessary. Yes, there are people who are becoming richer and richer, who freely cross the border of Sweden, travel throughout the world. And in these conditions patriotism remains at a high level. Patriotism and a very personal, everyday love for their country. At the same time, these people are becoming closer to tin cans, and to their, so to speak, their initial nature—folklore, Swedish roots, and everything else. A problem arises, the political rich start to appear, the rich people become more, far removed from the traditional culture and the traditional system of relations. They begin to feel themselves to be closer to the mechanical world, simply to a good life. They are concerned only about the standard of living—and nothing else. Is there a connection between political culture and general culture, between the level of prosperity and the level of world view? How is the attitude to literature and love for the country related? Does it exist? Your experience should provide an answer to this question.

[Question] It goes without saying, there exists the danger that in proportion to the enrichment people will become increasingly more egoistic. They will have less of an interest in the problems of other people. . . .

[Answer] This dilemma is connected with the question of education. I have often talked about unity, the solidarity with people who have skills, the poor people. The same problem confronts the rich. If a society becomes better, there is a decrease in the danger that the social culture will be destroyed, that chaos and a struggle between the classes will begin. In Sweden, the more affluent do not have much of an interest in how the poor live. For many years it was asserted that, if the standard of living in Sweden will increase, socialism will become less attractive. This is the experience we have obtained.

I have heard the statement of the young who call themselves radicals. They have asserted that the poor are "failures", who lag behind the tempo of life, but this is the price that must be paid for the rapid increase in the standard of living. We do not agree with that kind of price, and we will never agree with it. Here is also a question of general culture.

[Question] We are now trying to solve questions in an integrated manner—international affairs, domestic political affairs, general culture, a culture of international relations. All of them are interrelated, and, perhaps, sometimes the level of contacts between the leaders can deepen this process, even foreign policy can become more open. It, in essence, has become more open during the past few years, people are beginning to talk. . . .

[Answer] To observe your changes is remarkable. When I first visited the Soviet Union, it was a very silent and proud country, people did not talk about misfortunes and problems. A discussion of the problems has begun.

[Question] One can frequently hear stories about the prosperity of Sweden in our country. I am glad that I have the opportunity to speak openly with you. Perhaps you want to address the Soviet people? To convey words of hope, words of warning, any words. . . .

[Answer] We are neighbors, very good neighbors. And good neighbors must cooperate with one another. We can learn from one another much more than previously. I hope that glasnost and perestroyka will not become temporary phenomena. The USSR will continue its rich cultural life, the country will develop, but collective decisions will have such a character when people will obtain the opportunity of solving their domestic problems themselves. This is precisely how we try to develop

our society. I hope that on all levels the Soviet and Swedish peoples will develop cooperation between themselves, that there will be an increase in the number of people coming to our country, and that increasingly more Swedes will study Russian. In order for us to be able to speak not in English, but in Swedish or in Russian.

Today Swedes are finding out more and more about the Russians. . . . We now have united around the problem of the Baltic Sea, we are confronted by the common task of saving the Baltic from ecological threat. A great deal will have to be done together, but when we will work together, I think, we will become friends. We are all people and we are very much alike. . . .

Thank you, Mr. Minister.

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Polish Political, Economic Difficulties Persist

90UI0120A Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 10, 12 Nov 89

[Article by A. Pershin, TASS correspondent: "Polish Metamorphoses"]

[10 Nov 89, p 3]

[Text]

The "Peking" and the "Marriott"

They are always side by side, both in the clear daytime and dark nighttime. In the daytime, the thousands of window panes reflect the sun's rays like a gigantic mirror; at night, red lights at the top warn airplanes and helicopters in the dark skies.

I am talking about two buildings in the center of the Polish capital that are separated and perhaps united by a seething river of people from morning until evening—by the Jerusalem tree-lined walks. A little taller is the Palace of Science and Culture, crowned with a spire, erected by Soviet builders 3 decades ago and given as a gift to the Polish people. On the front of the building above the columns at the entrance, the words "Palace of Culture and Science imeni Jozef Stalin" were struck out sometime long ago. Here only the word for palace needs translation. The abbreviation of this name sounds like PKIN in Polish. Quick with a joke, the people of Warsaw added the letter "e" and ended up with "Pekin" [Peking], as the palace is called in common parlance. But it actually is a small town: four theaters and a movie theaters, a huge hall of congresses, a restaurant, an underground swimming pool, the accommodations of the Academy of sciences, and dozens of various bureaus. Together with the end of the era of Stalinism, the palace lost the name of its former patron. The stone blocks over the entrance which bore his name were replaced with new ones. However, the building is a giant—almost a precise copy of the high-rise buildings in Moscow.

The "Marriott" is the "Peking's" neighbor. It is a skyscraper that stood unfinished for almost a decade. One American company undertook to complete it, and did so in a fantastic, by Polish standards, time period. The "Marriott," shining with marble and nickel, accommodates an international hotel with a roulette wheel, an air terminal, and offices of dozens of companies. The "Marriott" is also a symbol (you will not hear a bad word about it in Warsaw, only Oh's and Ah's. That is some place, they say.

The "Marriott" and the "Peking" are cold symbols; however, they are living symbols reflecting today's social awareness.

New Realities

Like in a kaleidoscope, where the most unexpected pictures emerge from the same splinters of glass, contours of figures have appeared on Poland's political map

which yesterday seemed inconceivable. Negotiations at the "round table" with participation by the constructive wing of the opposition, outwardly reminiscent of a well-rehearsed show, have carried out the main task—they created the prerequisites for elections to a new two-chamber parliament. Thus, at the initiative of the PZPR [Polish United Workers Party], a grandiose socio-political experiment was begun, aimed at "fitting" the opposition into the structure of the socialist parliamentary democracy. The "round table," the reform of supreme bodies of state power, and elections to parliament have become milestones on this path. The result of the first stage evoked shock, for it was similar to a boomerang effect. After a dramatic struggle, the PZPR lost its majority in the parliament, which together with the government plays a key role in the state in the new conditions.

After suffering a severe defeat in the elections, the PZPR itself ended up being fitted into the scheme created by Solidarity, which secured for itself the main levers of control of the cumbersome machine of executive power.

The PZPR enters the second stage of the experiment from a position diametrically opposed to that from which it started. The United Peasant Party [ZSL] and the Democratic Party [SD], blaming the PZPR for the failure in the elections, defected to the side of the victorious Solidarity. The paradox of the situation is that the emergence of a new coalition of Solidarity with the ZSL and the SD was unconstitutional from the formal aspect. The alliance of the PZPR, ZSL, and SD is secured in the basic law. However, life has again proved that nothing is eternal under the moon, and outdated norms cannot stop its progress. The PZPR got along with its former allies in a gentlemanly manner, proposing to legalize the "annulment of the marriage" and eliminating from the constitution the provision on the former three-party coalition. In 1991 it is planned to pass a new basic law of the country, taking into account the changed realities.

They include eliminating from the constitution the provision on the leading role of the PZPR.

The defeat in the elections and the collapse of the former coalition enabled Solidarity to form its own cabinet. The party has been transformed from the leading sociopolitical force into one of the main ones. Many in Poland believe that the process of restoring its lost positions will be a long and very difficult one; it will be done by creating a new socialist party of leftist forces, which will have a new program, rules, name, and cadre. The 11th PZPR Congress, which in all probability will become its last supreme forum and will be transformed into founding congress of the new organization following the Hungarian example, is called upon to resolve this entire set of issues. The new party will pass the test of maturity in the next parliamentary elections.

The Honeymoon of T. Mazowiecki's Cabinet

For the sake of fairness, it should be said that the new government did not have a "honeymoon." It was immediately plunged into the maelstrom of Polish problems that had been coming to a head for years. Today's ministers did their negative bit in their time when they were in opposition to their immediate predecessors in the ministerial chairs. There are few who envy T. Mazowiecki's cabinet. It is faced with an ocean of thankless preliminary work and will have to make dozens of quite unpopular decisions in order to clean out the Augean stables of the Polish economy. It was hard to expect that the government would begin to operate with the perfection of a computer, making accurate decisions and having an instantaneous effect. In addition, the ministers from Solidarity are novices in their job. They cannot complain about having an excess of leadership and organizational experience. But then again, many average Poles were hoping that precisely this "lack of ability," or more accurately the lack of bureaucratic skills, would also become the cabinet's support.

What the majority of Poles expect from Mazowiecki's cabinet was expressed concisely but quite clearly by my neighbor, Miroslaw Ganiuch, a 32-year-old Warsaw construction worker. "Listen, Andrzej," he said to me. "I don't give a damn about what happens at the top. I want goods in the stores, and goods that I need, not some they 'throw out.' And another thing, I don't want to have to count my money down to the last zloty to see if I have enough. I am sick to death of lines. Someone must put an end to this farce."

When Will It Be Better?

This question concerns every Pole today? However... The traditional phrase "a country of contrasts," which before journalists applied exclusively to capitalist states, today can also be applied to our western neighbor without any restrictions. The mechanism introduced in the country on 1 August for shifting the food complex to a market basis, which led to an unthinkable—several hundred percent—jump in inflation, contributed to an even greater stratification of an already by no means monolithic Polish society. The latest statistics indicate that about 40 percent of Poles live on the brink of poverty, hardly making ends meet. The poor include primarily pensioners, large families, invalids, and students. People are already beginning to get used to the soup kitchens that have opened in various cities for the poor and the plans for opening shelters for the homeless. The market mechanisms introduced without preparation and precise conception in conditions of numerous and constant shortages have hit the least socially protected especially hard. The pediatrician who recently treated my daughter admitted with a flush of shame that she earns just over 120,000 zlotys a month. The tourist rate of exchange today is 750 zlotys for 1 ruble. However, this does not say much if you do not take into account the

level of prices. A kilogram of ham costs about 30,000 zlotys; shoes cost 40,000; and women's winter boots cost 150,000.

Many young people, having given up on being successful in life in their homeland and securing comfortable circumstances for themselves and their families, flee abroad. During the 1980s, more than 700,000 Polish citizens have emigrated from Poland, since directions for travel abroad are quite liberal. People keep their foreign passports at home, paying a stamp duty to the police. If you have no reference, you have no permit. Say you can travel to Austria without a visa. You get on the train in the evening, and you are in Vienna in the morning. However, there you also must have a residency permit and work permit, which are extremely difficult to obtain. You cannot slip into the United States without an American visa. That is why they stand for night in long lines at the Western embassies—lines for miracles.

The pole of poverty is opposite the pole of wealth. That's right, wealth. Statistics indicate that more than 15 percent of the population can purchase ham at any price, even if it were to jump to 100,000 zlotys per kilo. These people have villas and grand limousines. There is a marketplace for them on Polna Street in Warsaw, where black caviar and balyk, watermelons and grapes, bananas and pineapples are always for sale at exorbitant prices, summer and winter. It is for them that the gambling houses recently opened and that the roulette wheel in the "Marriott" hotel spins.

[12 Nov 89, p 3]

[Text]

Bitter Medicine

The new government understands excellently that the main battle for future Poland will unfold in the field of economics. That is why the economic program, which the cabinet is by no means in a hurry to make public, is being drawn up so carefully. Its rough drafts, fitting on 20 typewritten pages, have been named the Walcerowicz Plan, named after the deputy chairman of the Council of Ministers and minister of finance. The biography of this 42-year-old figure is quite noteworthy. He holds diplomas from two colleges: the Main School of Planning and Statistics in Warsaw and a university in New York. Up until December 1981 he was a member of the PZPR. He worked in the Academy of Social Sciences where he headed a group of young economists. They were tasked to prepare draft reforms of the national economy. The group's proposals were considered "too radical" at the PZPR Central Committee in 1980. After the introduction of martial law, Leszek Walcerowicz broke with the party. There is a whole group of people with similar biographies in the ranks of the "ruling opposition." According to data of the weekly *POLITIKA*, about 40 percent of the members of the Civilian Parliamentary Club were associated with the PZPR.

The Walcerowicz Plan contains quite a few rational items, often taken from the arsenal of the predecessors. Proposals for reform of the financial system, limiting and then eliminating the state budget deficit are quite reasonable. The desire to transform the zloty into a convertible currency merits support—this would radically facilitate contacts with the outside world.

There are two main goals—introducing a free market following the example of highly developed Western countries and eliminating crisis phenomena in economics. The cabinet plans to use some bitter medicine to bring order to the seriously ill economic mechanism: to toughen financial discipline in the economy, setting limits on wage increases. At the same time, it does not at all plan to hold back prices. The Sejm authorized the Council of Ministers to force payment from enterprises owing taxes directly from their bank accounts. They will begin closing unprofitable enterprises before the end of this year. People laid off will be paid benefits, the size of which, in the words of Walcerowicz himself, will “make people look for a job.”

According to Walcerowicz's estimates, new owners must be found for 80 percent of the national property. According to the calculations of Polish experts, the private sector could purchase only a little over 10 percent of the national property. What about the remaining 70 percent? Perhaps the fate of the Gdansk Shipyards will serve as an answer to this question, where Lech Walensa, the current leader of the Solidarity trade union, was listed as an electrician. A new owner for the bankrupt shipyards was found rather quickly. An American millionaire of Polish descent, Barbara Piasecka-Johnson, bought a considerable portion of the enterprise, paying pennies for this “knickknack” compared to its true value—\$100 million.

The PZPR, trade unions, and many prominent scientists warn that selling off state and also cooperative property to private hands threatens quite unpleasant and far-reaching consequences. The West can turn the country into a supplier of cheap manpower and free, compared to prices on the world market, raw material.

Cabinet members frankly admit that the present government is transitional in nature. However, its programs and real steps prove that the ministers want to lay an economic foundation under a new sociopolitical model. The future will show what kind it will be.

Distress Signal

Back before coming into power, Solidarity began sending signals to the West about the disastrous state of the economy and requests for assistance.

It cannot be said that these appeals remained a voice in the wilderness. Two programs of assistance are already practically being implemented: The United States began delivering deliveries of \$8 million worth of butter and sorghum to Poland; the Common Market is shipping

\$120 million worth of food; the U.S. Congress is considering plans to grant Poland more than \$800 million in aid; and Italy, France, Sweden, Denmark, and the EEC are actively engaged in similar activities. Canada, Australia, and far-away Japan are considering the question of providing assistance to Poland.

It is clear that there is no shortage of intercessors in Polish affairs. However, there is no euphoria felt in Warsaw. Representatives of the cabinet do not tire of repeating: The dinner spoon is expensive; it is important that help comes in time and in the necessary amount, but the scale of it does not meet the needs. In addition, the West plans to invest money only in the private sector. The various forms of giving credit and of economic involvement assume, as a rule, that the ownership of the new projects will be transferred to the Polish People's Republic only after all funds allocated by the Western companies for erecting and equipping the projects have been returned to them. The grand Holiday Inn hotel in Warsaw was built by the Austrians in a matter of months on such terms.

However, the Western countries, as a rule, set another condition for granting aid, for providing capital investment, and for foreign companies to enter the Polish market: First, help yourselves, curb inflation, and put your economy in order, for there is no desire to throw money to the wind. Meanwhile, the regression in the Polish economy continues.

For now, the “windfall” falling on Poland is mainly one of declarations and promises, the government's press representative Nezabitowska stated the other day.

Stop the Price Race

This was the main slogan during the nationwide protest action held by the All-Polish Agreement of Trade Unions in late October. Its participants did not interrupt work. The task was different: To call the cabinet's attention to the distressing situation of millions of ordinary Poles. This time the workers of an assembly shop at the capital's Ursus Tractor Plant—in the past one of the bastions of Solidarity—expressed dissatisfaction with high prices, with which wage increases are not keeping up, in the form of a strike. This time, the strike was directed against the government formed by this same Solidarity.

The T. Mazowiecki administration suffered its first major defeat in Lodz, where the local people's council rejected both candidates for the post of city president.

One cannot rub one's hands at the sight of the failures of the Mazowiecki cabinet, cautions the PZPR Deputy Club in the Sejm. An open letter adopted by its members states that the voices saying that PZPR will be reborn on the ruins of the new government's policy represent a great threat to the unity of the society. We sincerely wish the T. Mazowiecki government success and are ready to cooperate with all people of a democratic orientation, for only this harmony will make it possible to prevent

destabilization. Communist members of parliament believe that the alternative to this is chaos, anarchy, and, finally, dictatorship and "strong-hand" rule, fanatic champions of which there are quite a few among all political forces.

The Other Side's Opinion

What does the other side think about this? I asked Professor Geremek, one of the leading figures of Solidarity and chairman of the Civilian Parliamentary Club, how the club assesses the initial steps of the T. Mazowiecki cabinet. He also did not conceal his criticism: Actually, in operating by old methods, by the recent increase in prices T. Mazowiecki achieved exactly the same results for which his predecessors were criticized. In addition, this was done unexpectedly, without the appropriate preparation of public opinion. It also was not announced why the government was forced to resort to this measure. Therefore, a considerable part of the population having confidence in the government is beginning to suspect that Solidarity is beginning to operate by the same methods used by the previous government. It is impossible to give a specific answer to many questions now, in particular, why the economy is collapsing so swiftly. Having embarked on the market path of developing the economy, the government is forced to feel its way—this is the first time such an experiment is being carried out in a socialist country.

Will Solidarity be able to keep the Polish kettle from boiling over, with the temperature constantly rising? In conditions of the rapid deterioration of the economic situation, the threat of a social explosion is becoming quite real, Geremek reasons aloud. Solidarity and the Catholic Church alone will not be able to control the situation without help from other political forces. Everyone to whom the future of Poland is dear will have to assume responsibility for maintaining a stable situation in the country.

Geremek's position is in keeping with the opinion of the PZPR Deputy Club: not opposition and confrontation, but consolidation and cooperation. I think one of the main lessons of the Polish experiment is realization of the destructiveness of confrontations and the banefulness of refusing to compromise. However, the main question still remains open: What will the Poland of the future be like?

Implications of Poland's Antimonopoly Legislation

90UI0055A Moscow KHOZYAYSTVO I PRAVO
in Russian No 9, Sep 89 pp 121-129

[Article by Candidate of Legal Sciences V. Yeremenko: "Antimonopoly Legislation in the Polish People's Republic"]

[Text] The mechanism of competition being introduced into the economic life of a number of socialist countries requires legal support.

Concentration of production in the national economy is leading to a high degree of the market's monopolization. While monopolism in socialist society differs from capitalist monopolism in its socioeconomic content, it is still not free of a number of negative unfavorable consequences inherent to any monopoly. Antimonopoly legislation is an important tool of legal protection against monopolistic actions in the marketplace.

On 28 January 1987 Poland adopted the Law Against Monopolistic Practices in the National Economy,¹ which in accordance with Article 30 became effective 1 January 1988.

Adoption of the antimonopoly law in Poland was a component part of the economic reform, the second stage of which is ultimately directed at decentralizing control of the country's national economy and at reinforcing the use of the market mechanism.

This stage of the economic reform foresees rejection of the previously operating system in which permits had to be obtained for business activities. A procedure of simple legal registration of business units has been introduced. Not only central organs of government or state control but also local organs and private individuals possess the power to form them. All sectors of the country's economy (state, cooperative, private) enjoy equal rights. A fourth sector was added to the three main sectors of the economy as of 1988—communal; that is, the sector of local powers (possession of capital by local enterprises, distribution of the obligations of these enterprises among the population, and so on). The country's economic mechanism is being freed more and more of the obsolete, ineffective system of bureaucratic centralism.

It is believed that conclusive rejection of dictatorial and administrative methods of control will fundamentally change the role of the state in the economy and reduce its direct participation in the national economy's control to a minimum. A process of renewal of the country's sociopolitical system is underway; considerable momentum was imparted to it in January 1989 by the 10th Plenum of the Central Committee of the Polish United Workers' Party.

At the same time, complete rejection of administrative regulation of the economy is presently impossible, even if the socialist economy is converted to market mechanisms. Thus the Polish scientist Ya. Troyanek emphasizes the need for a certain amount of interference by the state in market processes. The state may employ administrative prohibitions or directives having the goal not of operational control of enterprises but of blocking undesirable monopolistic market operations.

The Law's short preamble states that the Law was adopted for the purposes of protecting the country's domestic market and its participants from monopolies. The Law goes on to regulate the principles of controlling

monopolistic practices utilized by business units, defined as legal and physical persons conducting business activities.

A rather long list of exemptions from the Law is foreseen. For example its provisions do not apply to intellectual ownership (the rights of authors and rights on inventions, useful models, industrial models and brand names), nor do they affect the provisions of international treaties.

It should be noted that exemptions from antimonopoly laws pertaining to patent monopoly and other objects of industrial ownership and authors' rights are universally recognized in world practice.

The Law does not apply to state enterprises within the ministries of finances, defense, justice and internal and foreign affairs, or to enterprises subordinated to the chairman of the Polish National Bank, which is explained by the unique features of these institutions and enterprises. However, as Polish literature indicates, objections have been raised in regard to leaving the State Insurance Administration—Poland's insurance monopoly—beyond the reach of the Law.

It should also be pointed out that besides the specific exemptions indicated above, the Law provides a possibility for significant exemptions and for limitations on the scope of its action that may be imposed by decrees of the Polish Council of Ministers. Thus the Council of Ministers may exempt from the Law individual business units and a particular area of business activities in view of special national economic interests. In the latter case the Law demands that the reasons for such exemptions and the time they are to go into effect be made known beforehand to a corresponding commission of the Seim.

In addition the Council of Ministers may determine the extent to which the Law is applicable to business units.

Critical remarks have been stated in the Polish literature concerning the powers of the Council of Ministers to make exemptions from the Law, mentioned above. In particular it has been pointed out that these powers of the Council of Ministers are so broad that they can be used not only to significantly limit the scope of the Law's action but also significantly decrease the power of its influence on economic life, which would not promote development of the economic reform.

The Law provides a general definition of monopolistic practices: These are "actions by business units contrary to this Law that violate public interests or the interests of business units and consumers, and the signing and enactment of monopolistic agreements contrary to this Law." As for the latter, agreements signed by business units or certain provisions of these agreements are implied.

It follows from the above that the concept of monopolistic practices includes a monopolistic position and monopolistic agreements.

A monopolistic position is the result of absence of competition in the marketplace. This concept corresponds to some degree with a dominating position, capitalization on which is prohibited by Article 86 of the Roman treaty establishing the EEC.

Expanding on the concept of monopolistic practices in greater detail, the Law prohibits: 1) imposing burdensome contract terms without justifiable cause; 2) making acceptance, by a contractor, of some obligation not associated with the object of a contract as a condition of the contract; 3) obligating a contractor to make purchases or sales or to sign contracts exclusively with a particular business unit; 4) setting unusually high prices in comparison with prices foreseen by pricing law.

This list is exhaustive, and relatively short. Differences revealed themselves in regard to the Law in the course of its writing, and two positions materialized. According to the first, the Law should be oriented against all harmful and undesirable actions of monopolists without exception, as well as against a disregard for introducing innovations and against actions resulting in higher production outlays per unit of product. However, the second point of view came out on top. Its proponents felt that universal control over the activities of monopolistic enterprises would be physically impossible and unsuitable, since it would result in unlimited interference by state organs into the activities of enterprises, which could itself lead to suppression of their initiative and unjustified centralization of the economy's control.

At the same time the list of actions defined as monopolistic practices is supplemented by Article 9 of the Law, in accordance with which actions which limit the production, purchase or marketing of goods despite the presence of supply capabilities, unutilized production capacities and an unsatisfied demand, and which lead to higher prices on certain goods, may be prohibited.

In addition, in accordance with Article 16 of the Law the Council of Ministers may deem, as monopolistic practices, other forms of activity of business units different from those listed in the Law, and prohibit their use. In principle, this norm permits a situation where the Council of Ministers can make decisions on issues that should be regulated only by the Law.

As far as contracts in which the actions of monopolistic practices are manifested are concerned, the Law foresees that if the antimonopoly organ discovers a violation, it may decide to recognize such contracts or their individual provisions as invalid. In the case where the antimonopoly organ reveals imposition of an unusually high price, it takes the steps foreseen in Article 8.1 of the Law on Prices.

It should be noted that the mechanism established by the Law does not foresee absolute invalidity (that is, invalidity by the force of law) of unlawful contracts; their invalidity must be established in each specific case by the antimonopoly organ.

The Law contains two exhaustive lists concerning monopolistic agreements. They pertain to cartel agreements² of the horizontal type—that is, ones signed either between vendors or between purchasers. Thus Article 11 of the Law prohibits signing monopolistic agreements between business units that are suppliers (vendors) or recipients (purchasers). However, it is pointed out in the literature that this article may also be applied to vertical monopolistic agreements—for example to agreements between refrigerator manufacturers and retail trade enterprises.

The Law also prohibits dividing the market territorially or between specific consumers, establishing or limiting the production or sales volume, and limiting access of business units not included in the agreement to the marketplace or excluding them from it. When the antimonopoly organ discovers such violations, the latter makes a decision as to the invalidity of the corresponding agreement.

In distinction from legislation of other socialist countries (Yugoslavia, Hungary), Poland's Law does not contain provisions prohibiting agreements concerned with setting prices on goods. A prohibition on agreements to set prices on goods is a key prohibition in most antimonopoly laws (for example the Roman treaty establishing the EEC). On the other hand there is a norm in Article 13 of the Law according to which monopolistic agreements resulting in a rise in prices or their maintenance at an economically unjustified level may be declared to be invalid by the antimonopoly organ; in the opinion of Polish scientists this norm provides for less than a norm directly prohibiting establishment of monopolistic prices on goods.

The second list of unlawful monopolistic agreements is contained in Article 14 of the Law, which discusses the possibilities provided to the antimonopoly organ for prohibiting monopolistic agreements on assortment specialization of production or sales, or on joint sales or joint purchases. The condition that would permit such actions would be a violation of public interests or of the interests of business units or consumers.

The antimonopoly organ is obligated to prohibit fulfillment of agreements if they result in significant limitation of competition or of the conditions allowing it to occur in the given marketplace, and if they do not produce economic benefits. These benefits, or in other words, circumstances precluding the unlawfulness of a certain form of monopolistic agreements, should consist of: a significant decrease in production or sales expenses; an improvement in the quality of goods; an increase in production; an increase in innovative activities at contracting enterprises.

Finally, the antimonopoly organ is obligated to prohibit enactment of a monopolistic agreement establishing the terms of contracts signed with third parties, if these

terms are excessively burdensome to the latter. The antimonopoly organ may also declare these agreements to be invalid.

The provisions of the Law on monopolistic agreements also apply to decisions of associations of state enterprises and to decisions and recommendations of other unions of business units.

For the first time in the practice of socialist countries the Law establishes control over the merger (association) of business units. This control is exercised by the antimonopoly organ, to which plans for merging business units must be communicated. The responsibility for communicating merger plans lies with the organs empowered to make merger decisions.

The question as to merger of business units is resolved positively if the antimonopoly organ does not file a protest against this within 2 months from the date of announcement of the merger. Grounds for filing a protest are the probability of significant limitation of competition, and if merger of the business units does not lead to tangible economic benefits including, in particular, reduction of production outlays or sales outlays, improvement of the quality of goods or an increase in innovative activities of the subjects of the merger.

At the same time the Council of Ministers is authorized to determine the types of business units released from the responsibility of announcing merger plans. The Council of Ministers also determines the conditions which must be satisfied by announcements of plans for merger of business units, the procedure for their submission and the procedure for dealing with protests to a merger filed by the antimonopoly organ.

It is obvious from the above that the antimonopoly organ plays a large role in the control of monopolistic practices in the Polish national economy. The minister of finances is competent to carry out the tasks of the antimonopoly organ. For practical purposes he forms a special administration empowered to carry out the new functions.

The tasks of the antimonopoly organ include maintaining surveillance over compliance with the provisions for control of monopolistic practices in the national economy, and in particular:

- publication of decisions foreseen by the Law and establishment of fines;
- submission of proposals having the purpose of protecting market functions and competition to the appropriate organs of state and economic control;
- supervision of investigations into the use of monopolistic practices by business units and their volume;
- preparation of proposals to competent organs for publishing, amending or repealing normative acts intended to have an influence on the level of the national economy's monopolization.

A Council Against Monopolistic Practices functions under the antimonopoly organ. It is composed of representatives of state administrative organs, state cooperative and trade union organizations, consumer and other interested public, public-professional and professional organizations, and scientific circles. The Council has deliberative and consultative functions.

With the exception of decisions concerning mergers (combinations) of business units, decisions of the antimonopoly organ may be appealed to the Supreme Administrative Court.

The opinion is stated in Polish legal literature that the decision to establish the antimonopoly organ within the framework of the Ministry of Finances, which was adopted chiefly due to economic considerations, is hard to recognize as being optimum. Different solutions were proposed in the course of 5 years' work on the draft Law, one of which entailed creating a special institution taking the form of an antimonopoly department as an independent organ directly subordinated to the Seim.

Norms regulating liability for engaging in monopolistic practices are documented in Chapter 4 of the Law. Sanctions include administrative fines, break-up of enterprises, restriction of the volume of their business activities, and liquidation.

Thus administrative fines paid to the market development fund are imposed for engaging in monopolistic practices in spite of a decision by the antimonopoly organ to correct violations of the Law. The total fine is not less than 100,000 zloty and not more than 10 percent of profit (minus taxes) received in the period of the monopolistic practices (but not exceeding 3 years).

When a state enterprise engages in unlawful actions several times (despite being punished three times by the imposition of a fine), the antimonopoly organ may submit a proposal to the appropriate constituent organ to break up this enterprise—that is, to decartelize it. The constituent organ must decide the issue of breaking up the enterprise or inform the antimonopoly organ on the reasons for refusing to do this within 6 months from the date of the above-indicated proposal. In the latter case the Chairman of the Council of Ministers may obligate the constituent organ to break up or liquidate the enterprise (at the suggestion of the antimonopoly organ).

A somewhat different procedure is adopted in relation to other enterprises. In regard to a cooperative or a trading company, the antimonopoly organ may adopt a decision to break up these enterprises. In the case where a cooperative fails to carry out this decision within 6 months' time, the antimonopoly organ turns to the governing board of the appropriate central cooperative union with a proposal to liquidate this cooperative. If a trading company fails to carry out this decision, it is subject to liquidation. The antimonopoly organ presents this demand to the court. Consequently in the cases listed above the decisions of the antimonopoly organ are

binding, though under certain circumstances they do require the support of orders from administrative organs or courts.

In application to other business units the antimonopoly organ may adopt a decision to limit business activities to an amount excluding the possibility for engaging in monopolistic practices.

In the case of failure to carry out this decision in a set time (3 months), the state administrative organ that granted permission for the business activities adopts a decision rescinding this permission. The business units to which this applies include individual entrepreneurs.

Specific measures of compulsion are foreseen in Article 23 of the Law in relation to business units that resort to monopolistic practices in accordance with Article 8 of the Law. In such cases a vaivode's court or a district arbitration commission may, on the basis of a petition by the injured party, obligate the violator to sign a contract and determine its content in accordance with the terms of contracts commonly employed in this area of exchange, or declare the contract signed in violation of these terms to be invalid.

According to Polish authors the sanctions mentioned above are imperfect in many ways, and they discriminate against small enterprises, cooperatives and individual entrepreneurs.

Responsibility is borne not only by business units but also by their directors, who are subject to a money fine, the amount of which is set by the antimonopoly organ. However, the sum must not exceed 3 months' wages of the corresponding director. Moreover any person who communicates false information to the antimonopoly organ in behalf of a business unit concerning its economic activities is subject to arrest for a term of up to 3 months, confinement for the same term, or a fine totaling up to 50,000 zloty.

Cases involving monopolistic practices are pursued in accordance with provisions of the Administrative Violations Code. As was indicated earlier, decisions of the antimonopoly organ may be appealed to the Supreme Administrative Court. Proceedings may be initiated in regard to such cases in accordance with official procedures or upon petition of interested parties. The latter include local vaivode people's councils, injured business units or their associations and unions, state and public control organs and public organizations possessing charters obligating them to protect the interests of consumers.

In the opinion of Polish scientists, monopolistic operations are among the most serious problems of the Polish people's economy, and they present the greatest danger to the economic reform presently being carried out. The urgent need to enact, within the framework of general antimonopoly policy, measures directed at demonopolizing monopolistic structures in the country's national economy is being voiced in this connection.

Footnotes

1. Referred to subsequently as the Law.

2. Cartel agreements include associations of enterprises retaining both legal and economic independence in all

areas of their activities except those encompassed by the cartel agreement, directed as a rule at developing a common policy in the marketplace.

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U.S. Aid to Nicaragua, El Salvador Said to Increase Tension

90UI0007a Moscow KRASNAYA ZVEZDA in Russian, 29 Sep 89 First Edition p 3

[Article by V. Vinogradov: "Danaides From Washington"]

[Text] The efforts of the Central American states are not in vain. Albeit slowly, the situation in the region is improving. The Nicaraguans and Salvadorans who for various reasons, true, have lived under conditions of constant tension and unceasing military actions, have been able to breathe more easily. First—since the leaders of the five Central American countries at a conference in the Honduran city of Tela in August of this year adopted a decision to abolish repatriation and deploy armed anti-Sandinista formations in third countries. Second—since in the Mexican capital there was a meeting of representatives of the Salvadoran government and the National Liberation Front imeni Farabunda Marta. And the last contacts like these took place in 1987.

Both of these events met with a positive response from the public not only in Central American but also beyond. Since the instability of the situation in this region has had and is having an effect throughout the continent. But there were forces which literally met these positive changes at bayonet point. This pertains first and foremost to certain circles in the United States which in no way wish to reconcile themselves to the fact that the peoples of the Central American region—these "boondocks of America," to use Washington's definition—had the audacity to make certain decisions without any concern for their mighty "northern neighbor."

For it is no secret to anyone that it is the United States, using the secret channels of the Central Intelligence Agency, supported the anti-Sandinista formations, rendering them significant military and financial aid and thus encouraging them to wage war against the Managua government. Just in April the U.S. House Foreign Affairs Committee approved a draft law to allot for the Nicaraguan Contras almost 50 million dollars in so-called humanitarian aid. Because of this the contra heads have been able to buy large batches of arms and ammunition, which has enabled them not only to expand their combat activities against the Sandinista government, which had

already lost more than 50,000 human lives, but also to continue these activities even now when there has been a decision to disband the rebel formations.

And now the U.S. administrations is again considering the question of giving aid—9 million dollars this time—for financing anti-Sandinista opposition forces in the general elections to be held in February in Nicaragua. This became known after President G. Bush's meeting with former President J. Carter who had visited Managua before that time. After the meeting J. Carter said in particular that he was in favor of continuing American "economic and humanitarian aid" to the Nicaraguan Contras and that he would make this known to the person currently in the White House. It was announced in Managua that they consider any aid Washington renders or wishes to render to the opposition forces in Nicaragua to be illegal. The more so since it will only contribute to increasing the tension in the country.

It is indicative that the United States is proceeding in a similar way in its relations with El Salvador. All that was needed was a promising meeting in Mexico for the U.S. Senate to vote in favor of increasing military aid to El Salvador to 90 million dollars in the fiscal year that is just beginning. The reason? To give the Salvadoran government a chance to succeed in overcoming the crisis that exists in the country. But yet during the past 8 years Washington has given this Central American country 4 billion dollars worth of this same kind of aid. Up to this point all attempts on the part of ruling circles in El Salvador to resolve the conflict through military means have been unsuccessful but have cost the lives of 70,000 Salvadorans.

Even in the United States they clearly understand the hopelessness of this policy. As Republican Senator M. Hatfield stated, granting military aid to El Salvador was clearly a mistaken policy and it has not contributed to strengthening democracy there. To continue to render it means to multiply the number of deaths in this country and to encourage the bloodshed there. But the majority of American senators would not listen to this reasonable judgment and voted for granting military aid to El Salvador in the new fiscal year as well.

A saying of our ancient ancestors automatically comes to mind: "Beware of Greeks bearing gifts."

Expansion of USSR Relations with ASEAN Countries Seen

90UI0061A Moscow PRAVDA in Russian, 18 Oct 89
Second Edition p 4

[Article by USSR People's Deputy F. Tabeyev, chairman of the USSR Supreme Soviet's International Affairs Committee's Foreign Economic Relations Subcommittee, on the recent ASEAN interparliamentary conference, where the USSR had observer status: "A Turn to Dialogue"]

[Text] The changes going on in the world community, the successful struggles to overcome the stereotypes of enmity and mistrust between countries and peoples, have opened the way for convergence and cooperation and have created favorable conditions for contact and dialogue in various regions of the planet, as was fully reflected in the tenth conference of the interparliamentary organization ASEAN held recently in Manila, where representatives of the USSR Supreme Soviet participated for the first time as observers.

The forum's theme was "ASEAN and the Twenty-first Century." Government officials from the five ASEAN countries (Indonesia, Malaysia, Singapore, Thailand, the Philippines) discussed a broad range of political, economic, and other issues.

A qualitatively new circumstance in this region had an impact on the conference proceedings. The process of general recovery in the world situation, the notable lowering of regional tension, the signing of the Geneva accords on Afghanistan, the cessation of military action on the Iran-Iraq front, the notable signs of regularization of the Cambodian problem—all this has helped to improve the political climate. The well-known Vladivostok and Krasnoyarsk initiatives advanced by M. S. Gorbachev have become an important catalyst for change. Their effect was felt in the work of the regional interparliamentary forum as well.

The forum's conclusions speak to changes. Despite the opposition of several ASEAN parliamentarians, the conference expressed its support for completely ridding Southeast Asia of all foreign military objectives, bases, and nuclear weaponry and for the speedy creation in this region of a zone of peace, freedom, and neutrality. The conference's participants called on the United States, USSR, People's Republic of China, Japan, and other powers to consult with them on the fundamental elements in creating a nuclear-free zone. The Philippine delegation proposed opening discussion on granting observer status in the future to Vietnam, Laos, and Cambodia.

The conference's decisions are in the nature of recommendations. Nevertheless, on the whole they objectively serve to strengthen the positions of anti-base and anti-nuclear forces in the region. In a speech at the closing session of the conference, the Philippine delegate stated directly that the USSR's unilateral actions decreasing the

military presence in the Asian-Pacific region, which here are often referred to as the "Gorbachev wave," have made an important contribution toward fortifying the security and stability of the Asian nations.

It should be said that in the Philippines a rather broad range of state and parliamentary figures, including some from the ruling party, have come to embrace anti-base feelings. The chairman of the Philippine Congress's House of Representatives' Commission on Foreign Policy Issues, Jose de Venesia, spoke categorically in favor of a gradual elimination of U.S. bases from the territory of the archipelago by the year 2000 as an element in the "Soviet-American world disarmament agreement." In arguing their position, the people we spoke with directly cited the USSR's pro-peace foreign policy initiatives, the processes of perestroika, which are gradually eliminating the image of the "Red enemy" cultivated for so many decades.

At the same time other opinions were heard. Outdated conceptions of our political actions are by no means entirely in the past.

There is the idea that we, USSR people's deputies working in the Supreme Soviet's Committee for International Affairs, have yet to make proper use of our opportunities for explaining and advancing foreign policy initiatives, for developing and strengthening their concrete actions along parliamentary lines, for example, by arranging direct contacts with other countries' commissions on foreign affairs, conducting multilateral seminars, "roundtables," creating joint parliamentary working groups on concrete problems, and other new forms of collaboration.

Sound premises were revealed with respect to the further development of contacts between the USSR Supreme Soviet and ASEAN, whose delegation was presented an invitation to visit the Soviet Union. When she received members of the Soviet delegation, President C. Aquino welcomed their participation in the work of the conference.

The search for varied and flexible methods of parliamentary cooperation may play an important role as well in activating trade-economic links with the ASEAN countries and in contacts in the spheres of ecology, health care, science, and education. The present-day level of cooperation in no way corresponds to our country's geographic position and economic potential as a Pacific power. ASEAN member countries' share in USSR foreign trade for last year amounted to a mere 0.3

, and that of the Soviet Union in their aggregate commodity circulation was 0.5

. Meanwhile, according to several indicators of economic and scientific-technical development, such countries as Singapore and Thailand have already emerged—or will soon—on a level with the leading industrially developed states. Impressive progress has been achieved in Indonesia, Malaysia, the Philippines. It is no accident that so

many authoritative Western political scientists and economists are predicting that the twenty-first century will be the century of the Pacific nations.

The United States and Japan are participating very actively in the international division of labor that is shaping up in this promising region, while we are still taking our first cautious steps. We must not forget that the Asian portion of the USSR holds considerable economic potential, especially significant raw resources. Using these as a basis, our country can step up our participation in the regional processes of the division of labor. In December of last year economic privileges were established for the Far Eastern areas of the USSR, direct producers and exporters received broad rights, and preparations are under way toward creating a "mutual enterprise zone" there.

In the past, the development of business contacts between the USSR and ASEAN was held back to a significant degree by political points, which today have receded increasingly into the background. Especially since the countries of Southeast Asia are following with growing alarm the harshening of trade protectionism by the Western powers. As a reaction to this course, the documents of the ASEAN conference envision, in addition to a strengthening of regional integration processes, diversification of foreign economic ties, a search for new business partners.

Thus we have every objective opportunity for broadening the USSR's collaboration with the countries of Southeast Asia, a highly promising collaboration if we consider, on the one hand, the relative proximity to the region of Soviet areas of the Far East and, on the other, the growing interest expressed by ASEAN business circles during the course of our economic perestroika in establishing permanent ties with us.

The search for new approaches, the creation of an optimal model for cooperation, were the focus of attention in our discussion with Philippine minister of trade and industry J. Concepcion. Both sides expressed a desire to broaden direct ties on a noncurrency, barter basis, to create joint enterprises and associations, and to participate in international consortia for the purpose of realizing large-scale projects. Soviet coal, lumber, machinery, equipment, and other goods from the Far East areas might, for instance, be supplied to the Philippines in exchange for consumer goods.

As an example of new forms of cooperation, J. Concepcion pointed to a series of cooperative agreements on joint production of clothing and shoes concluded during a trip to the Philippines by a delegation from the RSFSR Council of Ministers. The minister pointed out that several high-quality consumer goods bearing fashionable labels that we now import from the countries of Western Europe are in fact produced by Philippine enterprises. The direct export of this production to the areas of the Far East and Siberia with the corresponding supply to the Philippines of the raw materials they require would, he believes, be mutually beneficial.

It is obvious that this sort of goods exchange is only a first step in arranging complex multilateral collaboration between the USSR and the countries of the Asian-Pacific region. Doing this will require broader use of the investment possibilities of the region's governments, attracting them to apply their labor resources to opening up our Far Eastern areas. There is significant potential for cooperation implicit in the elaboration of new energy sources, protection of the environment, joint space research, and dealing with natural disasters and their consequences.

The conclusions of the Manila forum highlight yet another problem that bears directly on the international activity of the highest organ of power in the Soviet government: the decision by the ASEAN conference participants to create a permanent secretariat for the organization in Jakarta as a step toward the formation of an all-Asian parliament. This attests to the fact that this region is developing progressive processes toward broadening cooperation among the national legislative organs, toward furthering interparliamentary integration.

Interparliamentary associations now number about twenty in the world. In Western Europe alone there are six. There is as yet no multilateral parliamentary organ for the Socialist countries, although the necessity of creating one has not been in question for a long time. While organizing efficient and permanent cooperation over a broad range of serious problems among the legislators of Socialist countries, this would also make it possible to establish direct contacts on a mutual basis with the interparliamentary organizations of various regions, including ASEAN.

We left Manila convinced that the countries of ASEAN are fully aware of the integrity and interdependence of the modern world, are actively involved in the global integration processes, and are prepared to develop multilateral ties with our country.

Arab Journalists Protest Stand on Israel

Letter Sent to OGONEK

90UI0093A Moscow OGONEK in Russian
No 41, 7-14 Oct 89 p 6

[Letter to editors from Manaa Munzer, AL HURIYA, Palestinian journal; Salam Musafir, AL-ANBA correspondent, Kuwait; Wazih Jabir, WAFA Agency and FALASTIN AS-SAURA, Palestinian journal, et al; 23 signatures in all]

[Text] We Arab journalists and writers in Moscow cannot conceal our anxiety over the recent articles by several Soviet authors and the television programs (articles published in OGONEK, No 33, and IZVESTIYA, No 239, and the "International Scene" television program of 3 September 1989) appealing for the restoration of diplomatic relations with Israel, distorting the facts about the situation in the Middle East, and portraying Israel as a country whose achievements in technology and agriculture deserve all kinds of praise—and doing all of this with a complete disregard for the escalation of Israel's punitive actions against the Palestinian Arabs, actions equal in their monstrous brutality to the Nazis' crimes against humanity, including the Jews, before and during World War II.

In this connection, we would like to make a few comments.

1. As people in the creative arts, we know how important democracy is to the writer and how necessary it is that he be able to express himself freely and write about what he wants in the way he wants, without any restrictions whatsoever. We are also fully aware, however, that freedom must be accompanied by artistic integrity and a strong sense of responsibility, without which this freedom either turns into anarchy or sends the artist down the slippery path of non-objectivity and falsification. On this basis, we are certain that the policy of glasnost is the embodiment of freedom permeated with a strong sense of responsibility.

2. The article by Vitaliy Korotich in OGONEK and the statements made by IZVESTIYA political correspondent Aleksandr Bovin during an "International Scene" show on Israel, however, misrepresent the real state of affairs and are such an excessive apology for Israel that their biased and skewed tone was even criticized by Secretary General Meir Wilner of the Communist Party of Israel in LITERATURNAYA GAZETA (LG, No 33, 1989).

3. If the purpose of these and other such publications is the molding of public opinion in favor of the restoration of diplomatic relations with Israel (and Aleksandr Bovin recommended this categorically), this is certainly contrary to the interests of the peoples of the USSR and the Arab peoples, especially in view of the fact that the Soviet leadership has repeatedly declared that the restoration of diplomatic relations will be possible only when

concrete steps have been taken toward a settlement in the Middle East. These appeals for the restoration of diplomatic relations, however, are being voiced precisely at a time when Israel's obstructionist policy is putting spokes in the wheels of a just settlement in the Middle East, is brutally suppressing the Palestinian Arabs' "Intifada" without acknowledging even the most elementary of its legitimate rights, and is responding to all PLO peace initiatives with fire and the sword.

If the authors of the appeals for the restoration of diplomatic relations with Israel base their logic on the need for contacts with Israel as one of the sides in the conflict, they should know that these contacts already exist on the official level and on the level of "people's diplomacy" and that the restoration of diplomatic relations is therefore not dictated by actual need. In fact, this would only encourage the Israeli aggressors to continue opposing the will of the world community and UN resolutions and continue ignoring the rights of the Palestinian people.

4. The articles and statements mentioned above have misled the Soviet and Arab public as to the real stance of the Soviet Union and its support of the just cause of the Arabs, especially the Palestinian Arabs, and are driving a wedge between the USSR and the Arab countries. Aleksandr Bovin's appeal on the TV show for the unilateral curtailment of Soviet deliveries of weapons to the Middle East on the pretext that these weapons are supposedly being used by Syria to destroy Lebanese cities and villages, for example, is so biased that it can only cause serious confusion, especially since Correspondent Bovin did not take the trouble to remind the viewing audience of the monstrous destruction the Lebanese cities and villages suffered when they were hit by American and Israeli bombs.

5. Our distress is compounded by the fact that these statements are being made at a time of increasing Zionist activity in the Soviet Union, embodied in the constituent congress of the "Zionist Union," which adopted a program to Zionize the Soviet Jews and orient them toward Israel and which was described by the presidium of the Soviet Public Anti-Zionist Committee as a clear provocation against perestroika and an attempt to create another seat of the kind of ethnic friction that can have the most dire consequences.

6. We want to say that the joint struggle of the people of our countries has been filled with many marvelous events, attesting to the sincerity of Soviet-Arab friendship and mutually beneficial cooperation. We will never forget the support we received from the friendly people of your country in the struggle against aggression and attempts at foreign tyranny, in the struggle for political independence and autonomous economic development. We feel it is our duty to uphold these glorious traditions and oppose anything that might hurt them.

We assure you of our sincere respect and we hope that this letter will be printed in your publications and read in

your broadcasts, because we feel justified in expressing our opinions publicly for the sake of deeper constructive dialogue between us and our fellow writers.

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Editor Korotich Responds

90UI0093B Moscow OGONEK in Russian
No 41, 7-14 Oct 89 p 6

[Response by Vitaliy Korotich to letter to editors from Arab journalists and writers]

[Text] I sympathize with the concern of the letter's authors. I agree with them that any kind of chauvinism can have a disastrous effect on the human spirit. Any kind of bias is a deformity; this is precisely why I tried to present a fuller description of life in Israel in my report on the State of Israel in OGONEK. I certainly had no intention of idealizing Israel, but I also had no intention of sowing hatred for any nationality in the Middle East, including the Jewish nationality. It seems to me that some misunderstandings might have been caused by the authors' inability to comprehend several of the statements in a Russian-language article. I think that one of these misunderstandings is reflected in the statement about the alleged difference of opinion with Comrade Wilner, who did not even mention the OGONEK article, which he had not read yet, in the issue of LITERATURNAYA GAZETA you mention.

Dear colleagues, let us do our work conscientiously. As for diplomatic relations, their establishment or severance is not within the journalist's sphere of competence. Furthermore, I still believe that the exchange of ambassadors is not an awards ceremony, and I do not believe that diplomatic relations are established in order to reward a particular country. For 16 years after October, the United States refused to grant the Soviet Union diplomatic recognition and achieved nothing but the reinforcement of Stalin's totalitarianism, which was possible only in a country in the same position as a fortress under siege. I think that broad international contacts help to stop lawlessness, and not the opposite. I believe that boycotts, embargoes, and hand-to-hand combat are not part of the language of contemporary coexistence. In the OGONEK article we said that a soldier who shoots at a boy throwing rocks is committing a crime; a fanatic who pushes a bus full of innocent tourists over a cliff is also committing a crime. We have had enough. It is time to end the violence, regardless of who is responsible. The force of diktat as an instrument of international policy must be renounced. I believe that when the Israelis and Arabs sit down at the negotiating table and begin communicating by means of debate rather than exchanges of fire, conditions will exist for many kinds of normalization, including diplomatic.

Today it is more important than ever before to do our work energetically and conscientiously and to do everything within our power to improve international understanding. The search for sinister intrigues does not always help in revealing the truth. After all, my respected colleagues, you are educated and cultured people. The talk about a Zionist conspiracy or something of a similar nature with some alleged connection to OGONEK debases our discussion, as if some kind of memory is coming to the surface. We want to cooperate with you. It would be of greater benefit to write a good article intended for the Soviet reader in place of this letter addressed to everyone. Let us work together as friends and spend less time preaching at one another.

As for the statement of our Arab guests that it is "certainly contrary to the interests of the peoples of the USSR," I think that sufficient forces exist for the protection and formulation of these interests in the USSR even outside the boundaries of the Arab journalistic corps in Moscow.

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Afghan Government Said To Draw More Rebels Wanting Peace

90UI0070A Tashkent KOMSOMOLETS
UZBEKISTANA in Russian 10 Oct 89 p 3

[Article by Valeriy Bazarov: "Afghanistan: Whose Side Are the 'Field' Commanders On?"]

[Text] After the withdrawal of Soviet troops from Afghanistan, around 100 groups of Modzhakheds ceased their opposition to the Kabul government: Their commanders signed a cease-fire agreement with the authorities. Observers believe that there is an on-going irreversible process of the changeover by the rebels to cooperation with the current Afghan regime.

"Most of the 'field' or 'domestic' commanders of the armed opposition groups in Afghanistan are ready to engage in talks with the Kabul government. They do not want to spill any more blood of their countrymen for the sake of the mercenary interests of the "alliance of the seven" in Pakistan," said Kamaluddin from Charbolak district of Balkh province, who had recently come over to the side of Kabul. His detachment of 300 fighters belonged to the anti-government organization "Afghanistan Islamic Revolution Movement" (DIRA). In the words of Kamaluddin, the leaders of the Afghan opposition in Peshavara had turned the rank-and-file Modzhakheds into hired killers supported by Pakistan and America. Behind the backs of the Modzhakheds, the leaders of the "seven" divided the positions in the "transitional government" amongst themselves, while all the difficulties and misfortunes of the many-year war had fallen on the Modzhakheds.

"The war had lost all meaning," says Kamaluddin. "And I am ready, if need be, to assume the role of mediator in the talks between the government and other DIRA groups, since I am personally acquainted with many of

the commanders and know that they also do not want to continue the fratricidal war. In recent years we often fought against rival groups from the "Islamic Party of Afghanistan" (IPA), the "Islamic Society of Afghanistan" (IOA) and the "Islamic Union for Liberation of Afghanistan" (ISOA), who were trying to force us to follow the orders of their commanders".

Based on Kamaluddin's detachment, a regiment will be formed which will become a part of the territorial formation of the Afghan army. Kamaluddin has assumed the responsibility of maintaining the cease-fire, not engaging in anti-governmental activity, and not allowing hostile actions on the part of other opposition groupings on the territory under his control. In turn, the provincial and district authorities will give his people aid in obtaining basic necessities, farm tools, and seeds.

Twenty-year-old Ahmad Khan commands a group numbering 80 people which belongs to the "Islamic Party of Afghanistan" of Yunun Khales. He assumed this post a year ago, replacing his uncle, Shah Mohammad, who was killed in a skirmish with the DIRA. Recently Ahmad Khan entered into negotiations with the province leadership.

"The people understand us less and less," explains the former rebel. "When our mullah learned that the last Soviet soldiers had left Amurdarya, he announced that the Djihad had ended. At the same time, the Afghan army began to fight better. We encountered the stubbornness and resistance of the government forces, who attack us everywhere."

However, Ahmad Khan's detachment suffered the greatest losses in skirmishes with other rebel groups. In less than a year he lost over 20 men. Therefore, during the talks with the authorities, Ahmad Khan demanded that his group be allowed to keep their weapons to defend itself against raids by rival groups from the IOA and DIRA. Ahmad Khan admitted that his people were forced to keep constant military guard around the kishlaks [villages]. "Today we are more afraid of our 'brother-Modzhakheds' than we are the government", announced the commander.

In his words, many opposition commanders want to return to a peaceful life, but are afraid of reprisals. Thus,

one of the military leaders of the IPA forces, Yunus Khales in Balkh Province, could not take part in the talks. "If he openly announces the cessation of the struggle, his family in Pakistan will be killed", explains Ahmad Khan.

"I supported the policy of national reconciliation because this is the only possibility of bringing the hostile sides to an agreement," says Damad, commander of the former anti-government ISOA group from the districts of Charbolak and Balkh. There are 450 people under his command. "We must hold broad democratic elections in Afghanistan, at which the people themselves will determine what kind of government they need. The leaders of the 'transitional government' in Peshavara can also participate in the coalition government, if this is what the Afghan people want".

Damad believes that President Najibullah has a greater chance of winning these elections.

"I am more impressed by the current authorities," he affirms. "We have held resultative negotiations with them. The state will give us aid in creating local organs of power. Soon specialists from Kabul will come to us and help to determine what the region needs in terms of the most necessary goods. At the order of the government, caravans have already arrived, bringing us tea, soap and sugar. We do not intend to attack them or levy taxes against them, as had been done in past years. We have an agreement with the authorities on these matters."

As Colonel Turyalay, first deputy chief of the Balkh State Security Administration, stated, there are 9 anti-government organizations operating in the province, which have created 300 groups numbering a total of 14,000 men. Around 100 groups wage active combat operations against the government. Peace negotiations are being conducted with most of them.

"In the past month and a half alone, over 40 groups numbering over 3,200 persons have gone over to the side of the government," concludes Turyalay.

"As a result of the reduction in military activity, the situation in the province is stabilizing. The shellings, raids on motorized columns and terrorist actions have practically ceased. The peace-making process is gaining strength."

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