



# ***JPRS Report***

# **Soviet Union**

## ***International Affairs***

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# Soviet Union International Affairs

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## New Soviet Ambassadors Profiled

18120049A Moscow NEW TIMES in English No 18  
1-7 May 90 pp 44-45

[Text] For the first time, our ambassador to Hungary will be a man who knows Hungarian—53-year-old Ivan Aboimov.

He graduated from the State Pedagogical Institute in the city of Liepaja, and for a number of years worked as a party functionary—in particular, as deputy head of the propaganda department at the Latvian Communist Party Central Committee. After graduating from the Higher Diplomatic School in 1972, he was sent to work in Hungary—as the first secretary and then as a counsellor of the embassy.

Experts say that while working in Hungary, Ivan Aboimov established close friendly ties with the leaders of former alternative organizations which have now become parties.

When he returned from Budapest in 1979, Ivan Aboimov worked for four years at the 5th European department of the Foreign Ministry. Then he was again sent to Hungary, where he worked for three years as a counsellor-envoy. Until recently, Ivan Aboimov was deputy foreign minister, responsible for East European socialist countries. This notion is currently losing its legitimacy, and the ministry will soon have no division into capitalist and socialist European countries. Within the framework of the Soviet Foreign Ministry, Europe is already uniting. Before becoming deputy foreign minister, Ivan Aboimov headed the Main Personnel and Educational Institutions Department of the Foreign Ministry.

\*\*\*

Anatoly Adamishin, the new Soviet Ambassador to Italy, has been a diplomat since 1957. He began his career by working for six years at the Soviet Embassy in Italy. He began as a junior expert, and eventually rose to become the head of the Foreign Ministry department. Later he became head of the first European department and finally deputy foreign minister: with two "portfolios." One was the humanitarian problems and human rights, and the other—relations with African nations.

Adamishin's name became the symbol of the new mentality in foreign policy. He took part in working out the "third basket" agreements for the Helsinki conference, promoted the granting of independence to Namibia and contributed to the saving of UNESCO as an effective international body. He knows Italian culture, history and language very well.

The new appointment of Adamishin can certainly promote Soviet-Italian relations. Anatoly Adamishin has been awarded our magazine's prize.

\*\*\*

Alexander Bessmertnykh has devoted the greatest part of his life to Soviet-American relations. It is no surprise that the Supreme Soviet decided to appoint him Soviet Ambassador to the USA.

Bessmertnykh is 57. He has a Ph. D. in Law. Three years after graduating from the Moscow State Institute of International Relations, he was sent to the U.N. Secretariat in New York, where he worked for six years. After a four-year break, which he spent working at the Soviet Foreign Ministry, he was again sent to the United States—this time to work at the Soviet embassy. He spent 12 years there. And in 1983 returned to Moscow, where he was made head of the U.S. department at the Foreign Ministry. In 1986, he was appointed deputy, and in 1988 first deputy foreign minister.

Alexander Bessmertnykh was one of the first Soviet Foreign Ministry leaders to use the principle of glasnost or openness in his work.

Journalists of the New Times magazine noticed and approved of this new style of diplomacy. This man has always surprised us not only with his professionalism and intelligence, but also with his simple and friendly manner and readiness to answer any questions.

\*\*\*

Fifty-five-year-old Felix Bogdanov, who has been appointed Soviet Ambassador to Romania, began his career as a diplomat at the Soviet embassy in Hungary. He graduated from the Moscow State Institute of International Relations and the Higher Diplomatic School, and knows Hungarian, French and English. For many years, he worked at the central apparatus of the Soviet Foreign Ministry, in its 5th European department. Between 1976 and 1979 he worked as the counsellor-envoy in Hungary. Upon his return to Moscow he spent six years as deputy head of the 5th European department, until 1985, when he was appointed Soviet Ambassador to Burkina Faso. From there he moved to Brussels, also as an ambassador.

Bogdanov's successful work in Belgium accounts for the decision of the Supreme Soviet to appoint him Soviet Ambassador to Romania. Professional diplomat, Felix Bogdanov will replace former YCL leader Yevgeni Tyazhelnikov in that position. The establishment of relations with the new Romania will demand more professionalism and experience.

\*\*\*

First Deputy Foreign Minister, 61-year-old Yuli Vorontsov, who has been appointed by the Supreme Soviet the official spokesman at the U.N., is a professional and experienced diplomat. He began his diplomatic career at the Soviet mission at the United Nations in 1954, two years after he graduated from the Moscow Institute of International Relations.

Vorontsov worked at the international organizations department of the Soviet Foreign Ministry, and was deputy head of the department which plans foreign policy measures. He worked as a counsellor and counsellor-envoy of the Soviet embassy in the U.S., and as Soviet Ambassador to India and France.

Yuli Vorontsov has made a significant contribution to the process of drawing up agreements regarding Afghanistan and to the settlement of the Afghan issue, which resulted in the long-awaited withdrawal of Soviet troops in 1988-89. For a time, he was a "shuttle" diplomat between Teheran, Islamabad, Geneva and Moscow. In October, 1988, First Deputy Foreign Minister Yuli Vorontsov was appointed Soviet Ambassador to Afghanistan.

\*\*\*

Yuri Dubinin, who has been appointed Soviet Ambassador to France, is 59 years old. Like many of his colleagues newly appointed by the Supreme Soviet, he began his diplomatic career in the country where he is now being sent. Dubinin spent the first four years of his professional activities in France and then worked at the Foreign Ministry in Moscow. In 1965, he returned to the Soviet embassy in France, where he spent five years as first secretary and then as a counsellor. In 1971, he was appointed head of the 1st European department and remained at this post for seven years. In 1978, he was appointed ambassador to Spain.

Perestroika prepared new work for Yuri Dubinin—in 1986 he was sent to New York as the permanent Soviet representative at the United Nations, and soon thereafter became Soviet Ambassador to the United States.

In the past five years, Soviet-American relations have entered a qualitatively new stage. Three summit meetings have taken place, and Yuri Dubinin has actively participated in the preparation and securing of them.

And today, Yuri Dubinin is returning to France enriched with new experience. Experts describe him as a classical "Frenchman."

\*\*\*

Yuri Kashlev, a prominent expert on human rights, has been appointed Soviet Ambassador in Poland.

His talks with Western diplomats on human rights are worthy of note. It was the time when the Soviet Foreign Ministry played an important part in the human rights movement. On diplomats' demand, not only were definite political prisoners set free who had been sent to labor camps under clauses of the penal code, which are nonexistent nowadays (something very important in itself), but also the human rights concept was built up in our society.

The post Kashlev occupied in the Foreign Ministry's hierarchy shows the limitless talents of a bureaucratic mind: deputy first deputy foreign minister. But the post

gave him independence necessary for heading the Soviet delegation at the Vienna meeting of the 35 countries participants in the Helsinki conference on European security and cooperation.

The 56-year-old professional diplomat, D.Sc. (History), Professor Kashlev graduated from the Moscow State Institute of International Relations, worked at the International Atomic Energy Agency, at the USSR Committee of Youth Organizations and the Central Party Committee. During his work at the Foreign Ministry he headed the information department, was deputy chairman of the commission of the USSR for UNESCO and head of the Department of humanitarian and cultural ties.

\*\*\*

Boris Pankin, former Editor-in-Chief of the Komsomolskaya Pravda newspaper and a prominent literary critic, who for the past few years has been working as Soviet Ambassador to Sweden, has been appointed Soviet Ambassador to Czechoslovakia.

During the years of stagnation, when Boris Pankin worked for Komsomolskaya Pravda, the newspaper had a clear-cut stand: democratic and progressive. Pankin's literary tastes largely determined the paper's attitude to covering literary life. It carried no eulogies (so common at those times) about the publishing of another collection of the "literary general." Instead, it supported such prominent authors as Fyodor Abramov, Chinghiz Aitmatov and Vasil Bykov, who were constantly criticized for their "abstract humanism."

In 1973, he was unexpectedly appointed chairman of the newly founded USSR Copyright Agency, and then he was appointed Ambassador to Sweden. Thanks to the Soviet Ambassador, in the years of perestroika Soviet researchers and journalists have taken a serious interest in the "Swedish model," which is considered by many workable socialism.

We hope that Ambassador Pankin will reach an understanding with the playwright and President of Czechoslovakia, Vaclav Havel, and not only concerning literary matters.

\*\*\*

Fifty-six-year-old Vladislav Terekhov will become Soviet Ambassador to West Germany, a country which is closely tied to his professional career. After graduating from the Institute of International Relations in 1957, he spent six years in the F.R.G., and between 1981-86 worked there as a counsellor-envoy of the Soviet embassy. As a young diplomat, he spent four years at the Soviet Embassy in Austria prior to his work in the FRG. Later, he worked for ten years at the 3rd European department of the Soviet Foreign Ministry, where he headed a section, and later became deputy head of the department. In the second half of the 1980s, he headed the department of work with Soviet embassies of the

Soviet Foreign Ministry, and in 1988 was appointed head of the Main Personnel and Educational Institutions Department of the Foreign Ministry.

Vladislav Terekhov will replace one of our best known diplomats, Yuli Kvitsinsky, who is to become deputy foreign minister in charge of European affairs.

\* \* \*

The Soviet Ambassador in Vienna Gennady Shikin will move to Berlin, where the Supreme Soviet has appointed him as ambassador.

He and Vladislav Terekhov are facing a challenge, that of implementing Soviet policy concerning the uniting of the two Germanys.

Fifty-one-year-old Gennady Shikin is an expert on Germany. He has amassed great experience while being on the staff of the Soviet Foreign Ministry—here he worked at the department of the press, headed a section and was deputy head of the 3rd European department and deputy head of the Foreign Ministry Secretariat. In the beginning of his career, he worked for two years as an attache of the Soviet embassy in Yugoslavia. Between 1968-74 he worked in the F.R.G. as second, and then first secretary of the embassy. In the past four years he has been the Ambassador to Austria.

In the present situation, work in the G.D.R. cannot be described as calm and easy, if only because of its extreme significance in the coming reunification of Germany.

## Germans, Russians Express Concerns Over German Unification

### GDR Social Democrats

90UF0175A Moscow SELSKAYA ZHIZN in Russian  
9 May 90 p 3

[Tass Report: "Serious Objections"]

[Text] The GDR's Social Democrats have severely criticized the recently drafted state treaty between the GDR and the FRG. That party's governing body has demanded that the coalition commission of the GDR's ruling parties be convened immediately to discuss questions related to the treaty.

The SDPG, said its spokesman S. Hilsberg, could not be a party to a draft treaty that calls for the dismantling of social achievements and that carries the threat of a general strike. He expressed serious objections over the inadequate funds earmarked for social insurance and spoke in favor of the earliest possible conclusion of a customs agreement with the FRG. If an agreement in that area is not drawn up in good time, he said, then about 700,000 people employed in the GDR's agricultural and food sectors will be left unemployed shortly after conclusion of the monetary union.

G. Krug, the SDPG press secretary, stated to the ADN news service that if the draft state treaty is signed in its present form, that could result in an extremely difficult situation. Since its inception the SPDG has proclaimed that it defends the rights of the socially weak segments of the population. It is necessary to keep faith with that principle, Krug noted.

### Soviet WWII Veterans

90UF0175B Moscow VETERAN in Russian No 20,  
14-20 May 90 p 11

[Article by Yu. Sergeyev: "Well-Founded Concern"]

[Summary] The meeting in Bonn of the foreign Ministers of the USSR, U.S., France, Great Britain, the GDR and FRG has attracted public attention in many of the world's countries. And that is understandable. After all, that forum will be dealing with a problem about which no European can be complacent—the military and political status of a future united Germany.

What sort of status will it be? Won't it disrupt strategic stability in Europe? The peoples of the continent want reliable guarantees that no war will ever again be launched from German soil. There is no forgetting the tragic lessons of the past, when analyzing the possible consequences of unifying the two German states. That is precisely the question to which attention was called in the Statement by the All-Union Council of War and Labor Veterans and by the Armed Forces, published in No. 9 of our weekly.

In particular, it expressed well-founded concern over the fact that the decision of the FRG's Federal Constitutional Court on the existence of the Third Reich in its 1937 borders remains in force, and that the Washington and Bonn leaders do not conceive of a unified Germany outside NATO.

This statement found widespread response among our country's veterans—among those who know war first-hand. The All-Union Council and the editors of the weekly VETERAN are receiving letters in support of the statement from veterans' organizations and from readers. "On the 45th anniversary of the Victory, we cannot be complacent about the events surrounding German unification, in view of the real, existing danger of a rebirth of Naziism and revanchism," says a letter from the USSR State Education Committee's council of war and labor veterans. "We want guarantees of peace from a unified, demilitarized Germany that is not part of NATO, and we want a total renunciation by her of any revision of postwar boundaries and of territorial claims on any country in Europe and in the world." Veterans' organizations in Moscow, Kuibyshev, Kzyl-Orda and other cities have launched similar appeals.

Many of our readers share the views of Candidate of History V. Tsapanov, a war and labor veteran who is a member of the presidium of the central board of the Soviet-GDR Friendship Society. He writes in his letter that guarantees of peace in Europe and of inviolable borders must be truly ensured, even before concrete steps are taken to unify Germany, and not in parallel with the unification process.

There's no disagreeing with that viewpoint, nor with the opinion that a unified Germany's adherence to NATO could be fraught with dangerous consequences. It must not be forgotten that the cutting edge of that military bloc is directed against the Soviet Union. While in the U.S., FRG Defense Minister G. Stoltenberg stated that nuclear weapons must be retained on his country's territory in the future. And recently the West German newspaper *Suddeutsche Zeitung* reported that Washington and London are seeking agreement "on new air-launched nuclear missiles capable of reaching targets in the European part of the Soviet Union. A significant percentage of those weapons are to be based in the FRG, the newspaper writes.

Thus, concerns about a future unified Germany's entry into NATO are by no means far-fetched—they are quite real.

### Correspondent, German Friends Discuss GDR-FRG Unity Issues

90UF0131A Moscow PRAVDA in Russian 29 Apr 90  
Second Edition p 5

[Article by Aleksey Boldinyuk, Pirna-Moscow, April: "I Am Exchanging a Trabant for a Mercedes"]

[Text] Within a few months events have taken place in the German Democratic Republic, the possibility of

which Germans themselves could not have believed even as late as last summer. The future is becoming clearer and clearer—the GDR that is so familiar to you will become a part of the German government. History is being made before our eyes and its turbulent turns give rise to the most varied emotions, hopes, joys and fears. Behind all historic events we have people—politicians, scientists, workers, students. I would like to think that they are friends. With this thought in mind I went to meet some of my old acquaintances.

### Bottleneck at the Border

The short road from the Dresden airport to the small city of Pirna leads through rows and rows of detached houses almost completely hidden by blooming trees. There are enormous clumps of tulips and pink rows of cherry trees along the road and bright vegetation in the fields as the road curves. Perhaps it was this vegetation that suggested to the residents of Saxony the colors of their flag—white-green panels hung over almost every building.

A Saxon flag with its crest in the center also proudly graced my friend's house. Rolf Franke hung out his flag on the eve of the parliamentary elections, in which in Pirna the victor was the Christian-Democratic Union. Traces of the pre-election campaign are evident everywhere in the city—posters of the CDU predominate everywhere, of course, with their slogans such as "No socialist experiments." Rolf voted for the Liberal Democratic Party...

It was not the first time that I stayed in this little city of Pirna, which extends along both sides of the Elbe River. The proprietors of the hospitable house on Vysokaya Street have visited the Soviet Union many times and have many friends in Moscow and in other cities...When I called and told them I would be coming for a few days, the joy of my Saxon friends was not artificial.

"But I will not be coming alone, and not only for a visit," I said into the receiver, becoming somewhat embarrassed at my own forwardness. "My friends from Berlin and Hamburg will also be there." My reservations were groundless and Rolf, as always, said he would expect us at any time.

The idea of such a meeting was suggested to me by a friend from Hamburg—journalist Winfried Betekken. He works for North German radio. His letters are always detailed. Winfried wrote to me about events in the FRG and about his trip to Berlin—he was there on the night the border was opened. But letters from Hamburg take a relatively long time, as do my answers. Thus it was simply essential to exchange opinions at a "round table."

And how could you have a "round table" without the coming together of various points of view? The last participant became Rainier Brandau, a Berlin resident who graduated from the Institute of International Relations in Moscow, who was a member of the Party of Democratic Socialism and a worker in the Higher Party School.

We did not find a round table in Rolf's home. We had to settle ourselves around a regular coffee table, moving from time to time to the dining table. The pile of used tapes next to the tape recorder kept growing. The subject of the discussion was selected by our German friends—incidentally, they met here in Pirna for the first time—and at some point I realized that there was too much information. We went into town to rest from the discussion.

Semi-sleepy Pirna with its narrow center streets, three churches and an ancient castle above the Elbe is a typical provincial city. What has changed here during the turbulent half year? The houses looked the same—some newly painted, others decrepit; there were the same store windows, not at all empty. The new thing was that on the streets there were probably more cars with Western plates than Vartburgs or Trabants. Incidentally, Winfried told us that upon entering the GDR he spent 2 hours in an automobile bottleneck, and judging by everything, he was lucky.

From a letter by Winfried Betekken, December 1989 (I quote here and further with the approval of the author):

"You know, for us it is sensational that we will soon be able to travel to the GDR without a visa and without the mandatory exchange of East marks according to the official exchange rate. We have already planned a trip to Rostok, Greifswald and Potsdam..."

From a letter by Rolf Franke (December 1989):

"This freedom to travel has simply hit people in the head. Many are ready to stand in line for 7 hours in order to receive a visa and money to travel to West Germany. But of course we are very glad that we will be able to see the other half of Germany and to meet our relatives..."

There is a short line at the newspaper stand. West German newspapers and magazines, primarily for women, are being offered here. They are more expensive than local publications, but they are bought up fairly quickly. Springer's BILD is sold directly from a special car that is painted in advertisements for the newspaper. At railroad stations stands sell Coca Cola and canned beer brought in from abroad. "It's a little expensive," frown the Germans. The price pendulum has begun swinging—something has become less expensive, something else has disappeared from stores. Winfried shared his observation:

"Here everything is considerably more expensive than at home if we translate prices on a 1:1 basis, with the exception of food."

On the day that I arrived in Dresden a demonstration was taking place under the slogan, "Establishing a 1:1 exchange rate for the GDR and FRG marks." It seemed



that radio and television featured only this subject. Immediately this problem became a central question in the discussion among my friends.

#### "Are We One People?"

I have to admit that I participated very little in the dispute about the exchange rate. It seemed to me that there were much more important problems, and first among them was the unification of two countries which for long years developed according to different laws. Yet in the formula "currency, economic and social union" the Germans put the question of currency in first place. Already this summer a single West German mark will be introduced for both countries. What will happen to the savings of East Germans? How will the introduction of the new monetary unit affect the well-being of the residents of both Germanies?

Rolf Franke, the owner of a private auto repair shop:

"The exchange rate of 2:1 which is being discussed now in Bonn would simply ruin me. I will not be able to carry out business—there will not be enough money for this. After the union prices will increase for materials and spare parts and new investments in the shop will be needed."

"With the introduction of market prices even an equivalent exchange will not save us," is the opinion of Winfried Betekken. "Our economists feel that the exchange rate being proposed now, 2:1, is adventurist. A more realistic exchange rate is one of at least 5:1! It is another matter that we must gradually raise the labor productivity of East Germany to our level in order to equalize income. Right now the accelerated introduction of a currency union will only create difficulties for you and for us."

What does Winfried mean by the accelerated introduction of a single currency?

"My work as an editor is fairly high-paying. But my expenses are also considerable—the rent on my house is one-fifth of my salary, another almost 600 marks goes for medical insurance plus taxes," Winfried enumerates on his fingers. "Now I will also have to pay for the conversion of the Eastern mark into hard currency. A 1:1 exchange is a solution to the problem at someone else's expense."

Without awaiting my question, Rainier Brandau joins the conversation:

"This is a fundamental question. If we are 'one people' then we have common problems and we must deal with them together. After all, one of the main pre-election slogans of West German politicians was 'We are one people!'"

The conversion of the East German mark will be at the rate of 1:1 with certain conditions although in the FRG this decision by the federal government has met with extensive opposition. Judging by everything, many West

German citizens who enthusiastically greeted the changes within the GDR do not like the current hurry to introduce the currency union. The mood of the residents of East Germany has also changed. Probably few imagined just a few months ago how difficult and painful the unification process would be. Now, when only the first steps have been taken, rejoicing because of imminent unification has decreased noticeably. East Germany is facing a wave of problems that, in the opinion of my German friends, will touch everyone.

The wife of Rolf Franke works in the bookkeeping department of a small dairy plant in Pirna. The association already has Western partners who intend to modernize production—the need for this became urgent long ago. But there will probably be no job for Gertraude at the factory—a computer system will replace workers. This means that she will have to look for another job...This is a problem. For Rolf the future is also uncertain although he is in a better position than hundreds of thousands of citizens working in state enterprises. In the new economic system the emphasis will be placed on small private enterprises such as Rolf's shop. Dresden has partnership relations with Hamburg and the auto repairmen's association there has "taken over the leadership" from East German colleagues. Rolf Franke is promised cooperation, at least at first, until a stable market is achieved. Hamburg colleagues feel that 3-4 years will be needed for this.

"I hope that the cooperation will be advantageous," says Rolf.

But he too will have to "adapt"—he will have to say "Mercedes" rather than "Trabant..."

From a letter by Winfried Betekken (January 1990):

"As for achieving German unity, I feel it is a very long process. In all questions related to the association, patience will not be too great a sacrifice..."

I often asked my German friends why events are proceeding so quickly—where is the discretion, the soundness that is part of the national character? Most often I heard the answer that such rapid changes have been provoked by the many years of suppression of freedom—limitations on travel abroad and on correspondence and telephone calls, the general controls of the ministry of state security, which had its people in almost every work brigade...Today the building of the Staasi administration—this is what the MGB [Ministry of State Security] was called here—has become the labor exchange of Pirna. The first unemployed have already registered there. How many of them will there be in small Pirna?

When next morning we went to Rolf's shop "for an outing" Winfried accidentally locked his Audi with the keys inside. "This is a catastrophe," he said, depressed. "Where will I find a master to open this kind of lock?" We did manage to open the door—Rolf used a regular wire knot to raise the lock button after a great deal of

manipulation. This was the first joint enterprise in Pirna and Rolf's first experience with cars that he hopes to soon see in his shop.

#### Lessons of the Past and Plans for Tomorrow

In the discussions with my German friends I often heard the idea that a final solution to the German question touches the fundamental interests of all European peoples. When an enormous country with colossal potential and a population of almost 80 million people appears on the continent's map all security systems that have been developed in recent years and which provided the longest period of peaceful development in the history of Europe, will change. Will Germany be a stabilizing factor within the new system that is still to be developed? The opinion of my friends was unanimous—the unification process must be tied to the development of integration and disarmament in Europe.

"We need a gradual transition to a neutral and demilitarized association of German countries which will enter the European confederation," says Rainier.

"In my opinion, Germany should be a part of NATO, and many people here are of this opinion," says Winfried. "A neutral Germany may be a greater threat than a Germany that is tied through obligations to the North Atlantic union. Within the NATO framework strict controls will be maintained over the military development of the country, guaranteeing the impossibility of the rebirth of German militarism."

Of course my friends are aware of our point of view. The Soviet Union is against membership of Germany in NATO. "Block thinking" still prevails in the minds of many Europeans who have been educated by decades of opposition of two powers in the Old World. But I think that the process of German unification is creating a totally new situation in which "non-block" development is possible in Europe. Today's events on the continent give all of us a chance to create a new type of security system.

There is no doubt that the lessons of the past have taught the Germans a great deal. But that same experience of history forces neighboring peoples to look with reservations at the giant that is being reborn in the center of Europe. Here we also have reports about the growth of neo-fascist sentiments among a certain group of young people, about the defamation of memorials to Soviet soldiers who freed Germany...The faces of my collocuters grow darker.

"Yes, this is happening," says Gertraude. "But we feel that the vandals who act this way do not express the mood of even a small portion of Germans. We will always be friends with the Soviet people."

In the GDR I also heard the opinion that the crimes against the memorials to our soldiers were the result of

hatred of the system existing here that suppressed all independent thought but not of hostility to the Soviet Union.

In any case almost all of my collocuters tied the changes in their country to Soviet perestroika. They are very interested in the events in the USSR. The kiosks are once again selling the previously forbidden SPUTNIK and other Soviet magazines and newspapers. About 1.5 years ago it was possible to buy PRAVDA only in the morning—by noon all of the copies were sold out. Today it seems to me Germans want all of their information about us from West German newspapers. At any rate, our newspapers are no longer sold out immediately.

...Our meeting lasted 3 days. Both Winfried and Rainier were in Saxon Switzerland for the first time. "This is probably the prettiest place in Germany," said one of them to me. For the first time they, representatives of two countries of one people, were able to discuss questions that have been accumulating for many years. Of course this article does not include a tenth of what we discussed in the old house in one of the corners of Pirna. But it seems to me that the opinions of my friends conveys an idea about the concerns and hopes of the Germans from both East and West as they keep an eye on each other and think about their new role on the European continent.

#### Western Firms Looking to Open Offices in Berlin

90P50013A Moscow SELSKAYA ZHIZN in Russian  
17 Apr 90 p 3

[Article by TASS correspondent Mikhail Stepovik: "Discussion Continues on the Capital of a Unified Germany"]

[Text] Bonn, 16. TASS correspondent Mikhail Stepovik reports: The discussion about the site of the capital of a unified Germany, either in Bonn or in Berlin, has developed new strength recently on the shores of the Rhein. And even though political and social figures hold various points of view and advance arguments about both cities, for industrialists and businessmen the answer to this question is completely clear. Even if parliament and the government do not locate there, large concerns and firms still intend to open their branches in Berlin.

As the weekly WIRTSCHAFTSWOCHE noted, the geographical setting of the city and its structure create ideal conditions for transforming it into a large international industrial-financial center. For the West it will be a distinctive starting point for penetrating the markets of Eastern Europe. For the countries of the East the city will become a trade center, where they can order goods, acquire modern equipment, and carry out credit-finance operations. In a short time, the journal predicts, businessmen will begin a mass pilgrimage to Berlin, the likes of which the inhabitants of the city will be unable to recall.

According to press reports, hundreds of firms and concerns have worked out concrete plans and are awaiting "D-Day." For example, Daimler-Benz plans to locate its branch on Potsdam Square. With its 8,000 employees the Technological Center promises to become the largest in Germany. The BMW automobile concern intends to open its office and showroom in the Kurfurstendam area. It has already acquired a 7,600 m<sup>2</sup> building and construction of housing for managers and employees has started nearby.

Some firms want to transfer their entire headquarters to Berlin. The city is creating the most advantageous conditions for our business, stated Jorg Schill, chairman of the board of the finance-credit firm "Babcock-Berzing." All 2,000 employees will soon transfer there, where the firm will be based.

Along with businessmen from the FRG, their foreign colleagues are hurrying to find places in Berlin. Twenty large Japanese firms, including the giant of the electronics industry Sony, are planning to open their offices here. Firms from many European countries have expressed similar intentions.

The desire of entrepreneurs to base themselves in Berlin is explained not only by the advantageous geographical site of the city. To an even greater degree they are counting on the cheap labor force and the high intellectual potential of the city's inhabitants. According to information from WIRTSCHAFTSWOCHE, more than 70,000 East Berliners are employed in the electronics industry and in electro-technical sectors. We are talking about high class specialists. Every fifth inhabitant of East Berlin has completed a secondary specialized or higher educational institution. In comparison, in West Berlin only one out of every 15 inhabitants has such an education.

### Economic Conditions in CEMA Countries Viewed

90UF0114A Moscow PRAVITELSTVENNYY  
VESTNIK in Russian No 14, Apr 90 pp 10-11

[Article by A. Shabalin, candidate of economic sciences:  
"The Economies of the East European Countries: Myths  
and Reality"]

[Text] The stormy changes in the European CEMA countries have produced very contradictory responses and assessments within the world community. Some assert that now, at last, everything is being straightened out in these countries, that the standard of living will sharply rise, and that social and economic harmony will set in. Others, to the contrary, predict new complications and serious social troubles. But nevertheless, evidently, only realistic statistical data can provide the most objective and dispassionate view of the true state of affairs here.

What do figures, which are not subject to emotions, show? What are the dynamics and the achieved results? What is characteristic of the economic situation within this region? It should be said at the start that the social and economic situation in the majority of the European CEMA countries grew worse in 1989 as compared with the preceding year and that in many of them it can be characterized as a crisis.

In fact, growth in the national income of these countries was insignificant—1.9 percent. The picture becomes even less encouraging if individual states are considered: In Bulgaria, it came to 99.6 percent of the 1988 level and in Hungary—to 98.99 percent. In Poland it was approximately equal with the year before last and it grew somewhat only in the GDR and Czechoslovakia—by 2 and 1.6 percent, respectively.

Regarding Romania, the absence of reliable data and the falsification of real economic development by the former leadership make it impossible to judge last year's actual results. According to calculations by authoritative western scientific research centers, not only was not a single of the planning indicators fulfilled, but a sharp drop was also observed in most areas of the economy. In particular, the "Economist Intelligence Center," an English research group, concludes that national income in Romania declined by 5 percent in 1989.

Behind the general tendency for slower growth or a drop in national income lie a reduction of production within the CEMA states and poor work by industry. Overall, the volume of industrial production increased by a total of only 1.1 percent: In the GDR it grew by 2.3 percent, in Bulgaria and Czechoslovakia—by less than one percent, while in Hungary and Poland it declined by approximately 3.5 percent. For example, machine building, ferrous metallurgy and construction materials industry production declined in Bulgaria and light industrial output fell by 5-plus percent in Hungary. In the GDR, state quotas for 216 out of 383 of the most important line

items were not met. This means that there was a production shortfall of 4.9 billion marks. In a word, a sharp decline in production occurred in vitally important spheres of the economy. It is true that the reduction in coal mined in Czechoslovakia is viewed as a positive phenomenon in achieving the tasks of structural restructuring.

What has served as the reason for such negative phenomena? In every country they are explained differently. In the GDR, for example, the unsatisfactory work of industry was conditioned by violations of economic ties between suppliers and manufacturers of finished products, by deliveries that were tardy and unsatisfactory in terms of quality and assortment, and by insufficient influence of scientific and technical progress on the conservation of resources. However, something else was most important here: There was an outpouring of manpower from the country. During the second half of the year alone, 343,000 people, or 3.1 percent of those employed in production, abandoned the republic. The same phenomenon occurred in Bulgaria: About 180,000 persons left there.

The investment process was listless in a majority of the countries and the share of accumulation within national income rapidly declined. The coefficient of replacement of fixed production capital fell. At the present time obsolete fixed capital comprises up to 60 percent of the total. Attempts to compensate for wear and obsolescence of equipment by purchases in the West also did not provide a noticeable effect imports, in essence, dissolved in the noneffective economy. Backwardness increased in the areas of progressive resource-conserving and science-intensive technologies, ecologically clean production facilities, electronics, and the production of complex equipment for everyday living.

For the first time in many years the plan for housing construction was not fulfilled in the GDR; in comparison with 1988, 12 percent less housing was introduced. Completed housing dropped by 37.2 percent in Bulgaria. The plan for the opening new apartments for occupancy was also not met in Poland—by 21 percent fewer than in the year before last.

Rail transport freight turnover fell in all the European CEMA member countries. In Bulgaria and the GDR the decline was only partially compensated for by other transport facilities.

Complex processes also developed in agriculture, where there also was no noticeable growth—0.8 percent overall. Thus, output declined by 0.4 percent in Bulgaria and by almost 2 percent in Hungary. With an insignificant increase in grain harvests in Bulgaria, there was a decline in the population of large horned cattle, poultry, and sheep and in the production of milk, eggs, and wool. State purchases of meat fell by 12 percent and those of grain by 20 percent in Poland. Only in the GDR and Czechoslovakia did the production of agricultural output grow by approximately one percent.

According to statements in the Romanian press, the previously announced volume of grains harvested in Romania was greatly exaggerated. In particular, instead of 60 million tons of grain, a total of 18.2 million tons was harvested.

This situation of crisis and stagnation in the national economy cannot but be reflected in people's living standards. The overwhelming part of the population increasingly felt a worsening in supplies, the availability of housing, and public health. The disproportion between demand and supply sharpened on the domestic market. Prices for food products and industrial consumer goods increased considerably.

All this was accompanied by an exacerbation of social problems. In Bulgaria, real per capita income fell by 2.4 percent, the quality of products declined, and the assortment of inexpensive products began to erode. At the beginning of this year, there was a worsening in sales of meat and milk.

An inflationary growth of prices continued in Hungary: By the end of 1989, wholesale prices had grown by 13-14 percent and retail prices by 17-18 percent. Serious problems were also noted within East Germany's previously prosperous consumer market. The "open borders" provoked a literally massive invasion by residents of the FRG and West Berlin: In the GDR prices for food, children's clothing, and many other products are considerably lower than in the FRG. Hard currency speculation added to disorganization of the East German market.

The Polish population is living through an unprecedented jump in prices and inflation. At the end of last year, ration cards and administrative methods of establishing prices were abolished. The market became the chief regulator. In the course of a year, the prices of bread and milk in the stores increased 20-fold and of butter—13-fold. People reduced their ration of products by 20-30 percent. And at the present time the government is decisively continuing its course toward economic recuperation, despite the fact that this will entail deprivations for the population. They calculate that price increases should outpace wage increases. Since the beginning of this year a new wave of price increases has swept the country. Payment for electric power, gas, central heating and hot water grew by 400 percent, for fuel oil, city transport, and services—by 100 percent, and the cost of coal has gone up by 600 percent. At the same time, such a sharp rise in prices has led to reduced consumption: Lines have disappeared and shops have filled up with goods, which, however, are now accessible to far from all.

The generally unstable state of their economies and their shortage of resources has been reflected in the participation of the East European countries in world economic relations. As a whole, their foreign trade turnover grew somewhat—by 3.2 percent—mainly on account of

expanded ties with the capitalist countries. On the other hand, their mutual commodity turnover declined by 1.2 percent.

The unavoidable necessity of repaying loans to their creditors has been a heavy burden for all the European CEMA member countries. Earnings from exports are insufficient not only to pay off the principle of the basic debt, but also frequently for the payment of interest. It is necessary for them to export food products and other scarce commodities, which is an even stronger blow against the market and supplies available to the population. Only Romania has coped with its debts. But his has cost her dearly—people, in essence, have been starving.

The situation has developed particularly dramatically for Poland. Having received 47 billion dollars in credits during 1971-1987, it has paid out 50 billion in payment of principle and interest and still remains indebted for about 39 billion. There are no longer practically any internal resources, even for interest payments. In the search for a way out, Polish authorities are resorting to new loans.

The living experiences of our partners in the sphere of financial deals on the world market once again confirm how dangerous attempts are to solve complex domestic problems on the basis of foreign loans. Under conditions of an economy that is out of balance, they are quickly eaten up and it is necessary to return them in double their amount.

As you see, there is little at the present time that is attractive in the economic development of the European countries that neighbor us. But the roots of their present crisis cannot be found if we do not take a look at the recent past of these countries. First of all, it should be kept in mind that crisis has seized a far from flourishing economy. This is not a crisis of the overproduction of goods. And it did not happen all at once. Meanwhile, we have developed the notion that a completely prosperous economic life has been destroyed, what is more in an instant. However, in fact, it was only represented as such by official statistics and propaganda. In actuality, deformations, contradictions and negative phenomena have been accumulating within its material basis and political institutions for a long time and these made themselves sharply felt in the fall of 1989.

So, the headlong social and political processes that have seized the countries of Eastern Europe have taken place under conditions of an unstable equilibrium within the national economy. This [equilibrium] was achieved with difficulty through command administrative methods. In turn, demonstrations and strikes and a weakening of discipline finally undermined an already strained economy.

Great changes laid bare the depth of the faults within it and, literally in a matter of weeks, brought everything to the brink of economic crisis, including earlier relatively prosperous national economies. Now, politicians and economists are trying to find the sources of the misfortunes that

have overtaken the CEMA countries. A majority of them concur that, with all the differences in the changes that have occurred, they have a common link: Everywhere the command bureaucratic model of socialism has turned out to be incapable of giving a real impetus to the solution of economic problems that have accumulated for years, of advancing the countries to the frontiers of scientific and technical progress, and of providing the broad masses of the

people an opportunity to make use of the achievements of modern civilization. Market forms and methods of economic activity and objective economic laws have been ignored. But dangers are also concealed in a forced transition to these forms and methods: The level of social protection of people declines and a real threat of unemployment appears. All this deepens the crisis. An escape from it will not be easy.

### Proposed Legislation on Foreign Investment Protection Viewed

18120050A Moscow MOSCOW NEWS in English  
No 17, 6-13 May 90 p 10

[Article by Alla Glebova: "Who's To Foot the Bill?"]

[Text] The USSR Supreme Soviet will soon be ratifying a number of inter-governmental agreements on the protection of investments. One can't overestimate their importance. Guarantee against high-handedness and expropriation are vital to our foreign partners before then can meaningfully expand their cooperation with us. The proposed agreements, however, have some bewildering flaws.

I have in mind what is perhaps the sorest point in joint ventures—the conversion of roubles earned by foreign partners into hard currency. The new agreements provide for radical solutions. The agreement signed last year between the USSR and the FRG proposes that permission be granted foreign investors to freely convert all the roubles due to them from their investments. The old legislation permits foreign partners to take out only their **hard currency** profits. This is sensible, since it would be sheer madness to exchange our "wooden" roubles for dollars at the current rate of exchange authorized by the USSR State Bank.

The contradiction has been resolved simply. Without repealing the legislation, the Council of Ministers ruled that international laws take precedence over Soviet laws in such cases. But most important, it was specified that to convert roubles into hard currency, foreign partners can use not only the hard currency funds of joint ventures, but also the profits of their Soviet partners or even their sponsors—ministries or other government agencies.

This obviously discriminates Soviet partners. Not only in joint ventures. Having guaranteed the conversion of roubles into hard currency, the ministries may be cutting off all hopes of modernization of other enterprises under their authority—these enterprises may find there is no hard currency left for their needs.

Is the agreement with the FRG an exception? I'm sorry to say, it isn't. Agreements protecting investments were signed about the same time with Britain, Austria, Belgium, Luxemburg, Holland, Canada, France, and Finland. True, those agreements do not emphasize conversion of rouble profits. However, this possibility follows from the provision on guarantees of equality of those countries' entrepreneurs with all the others doing business in the Soviet market.

It is impossible to understand the logic of the Ministry of Finance—the main actor in the agreements (a number of them, in fact, were signed by the minister himself). Lagging way behind the other countries, those of Eastern Europe including, in joint ventures and having strangled joint ventures with absurd restrictions, it seems we have now decided to become leaders overnight, in a field

where others inch forward with the greatest caution. Hungary and China, where joint ventures have been a reality for a decade, are still undecided about making profits freely convertible into hard currency, encouraging their foreign partners in every way to reinvest the yuans and forints they earn. In Poland, profit repatriation conditions are more favourable, but at a very high commercial rate of exchange.

Here in this country we have no such arrangement. Moreover, joint ventures are still not allowed to take part in hard currency auctions, the activities permitted under their charters are curtailed in every way, and they can't invest their rouble incomes inside the country. They have not even been granted the benefit of converting their roubles into hard currency if they sell goods corresponding to world standards and thus make it possible to cut down on imports.

Our only achievement is creating foreign debts worth 34 billion roubles, which have brought us close to bankruptcy. If the draft agreements are ratified after all, this may add another 250 million dollars to our foreign debts—this is the size of the rouble profits of our joint venture partners, according to the official rate of exchange. If this doesn't look catastrophic today, what are we going to do with giant joint ventures like Sovbutil, Sovitalprod mash and Petrokam, whose rouble takings will run into the billions? Boosting raw material exports can't be a solution. We are in the red as it is. It may be necessary to cut down on our already meagre imports.

Those who made the decisions predicted all too well the reaction of the Soviet partners in joint ventures. For that reason they did their damndest to throw a veil of secrecy over the implications of the agreements. Responding to the numerous worried queries from heads of joint ventures, ministry officials and foreign economic experts, the Ministry of Finance assured them that all would be as before and that the direct conversion of roubles into hard currency was not in the cards. At the same time the ministry sent a circular letter to the State Bank, Vneshekonombank, the Chamber of Commerce and Industry, the Ministry of Foreign Affairs, and the USSR Academy of Sciences, which suggests that those who are going to take part in the talks should give their foreign partners broad guarantees for the conversion of their rouble profits into hard currency.

The reason for the Ministry of Finance playing this double game is obvious: to get the agreements quietly approved by the Supreme Soviet. What is not obvious is how these agreements fit into the set of measures the government is going to take for a swift transition to a market economy. The package of bills leading to this move contains the law on investments and the ruling on the introduction of a uniform rate of exchange of the rouble. This is precisely the way out. Provided the letter and spirit of these documents correspond to today's realities, the guarantee that rouble profits can be converted into hard currency would stop being something

that leads to ruin and become a linchpin of mutually profitable cooperation. But is there any guarantee that our MPs are going to solve the problem precisely in this manner?

**Problems, Prospects for Soviet Trade With Capitalist Countries**

90UF0107A Moscow PRAVITELSTVENNYY VESTNIK in Russian No 16, Apr 90 p 11

[Article by I. Khotsialov, department director, State Foreign Economic Committee of the USSR Council of Ministers, candidate of economic sciences: "Foreign Trade is ceasing to be a matter for a narrow circle of specialists. Over a short period of time 14,000 enterprises, organizations, departments and associations have moved into its orbit. Let us look at the "inheritance" of tens of thousands of people who have directed themselves with enthusiasm at this Difficult Endeavor"]

[Text] Yes, they have not come into a vacuum. The majority of leading industrial and developing countries are tied to us to some degree via traditional trade-economic and scientific-technical relations.

Let us recall that capitalist countries account for over one-fourth of Soviet foreign trade. This is in total. In terms of some goods they make up an even greater share of our imports—modern industrial equipment and progressive technology, high-quality consumer goods, materials and food products. It is no accident that the firms of these countries have become the main partners in joint ventures with us—80 percent of joint ventures on USSR territory and 83 percent abroad. And still relations with this group of countries has not yet acquired the tendencies that are characteristic for international trade.

In general what kind of trade exists between the USSR and industrially developed capitalist countries? Here is the data on foreign trade with some of them (in millions of rubles):

	1987		1988		1989	
	turn-over	bal-ance	turn-over	bal-ance	turn-over	bal-ance
FRG	4.96	-0.30	5.63	-0.83	6.55	-1.60
Fin-land	3.74	-0.33	3.72	-0.66	3.88	-0.37
France	2.61	+0.43	2.77	+0.39	2.57	+0.13
Italy	3.50	+0.12	3.03	+0.35	3.52	+0.32
Japan	2.60	-0.65	3.13	-0.77	3.49	-0.80
USA	1.20	-0.64	2.10	-1.44	3.40	-2.34
Great Britain	2.11	+1.06	2.42	+1.17	3.22	+1.20

As we can see from the table, our trade with capitalist countries is showing a tendency toward some growth. In general, including trade with other countries, it increased by 19 percent as compared to 1988 and comprised 37 billion rubles. Imports increased by 26 percent and

comprised about 21 billion rubles. But for us trade with the U.S., the FRG, Japan and Finland is accompanied by chronic deficits; moreover the deficit is double in trade with the U.S. as compared to the FRG, and triple that of trade with Japan. The negative trade balance exceeded 4 billion rubles in 1989.

There are defects in the trade mechanism. We can speak as much as we wish about remaining limitations of KOKOM [COCOM; Coordinating Committee For Control of East-West Trade], about the Jackson-Venik corrections that are in effect, about the political quagmires in relations with particular capitalistic countries and point to many other objective factors. Of course they seriously hinder the progress of economic ties with the west. However, things will not move forward noticeably until defects in our own economic machinery are ironed out first. Unfortunately, such defects are not few.

Here is a basic truth—it is essential for the USSR to participate in international integration processes because they are the foundation of the contemporary international division of labor. It cannot be said that Soviet exporters are not trying hard enough. No, there is probably also a shortcoming in constructive approaches on the part of our partners. But no matter how a particular country tries, everyone is put on the spot by the foundation of Soviet export—it is impossible to organize normal, extensive mutual trade if one of the countries has a very sparse selection of goods. On our "shelves" we have unprocessed raw materials and fuel and energy products. Add to this an antiquated production base, an unwieldy economic mechanism and various disproportions. Consequently, the faster we carry out a structural restructuring within the country, the faster we activate progressive scientific-technical processes and organize modern industrial production the faster we will be integrated in the world as an equal partner.

For example, we are acutely in need of an extensive transition to scientific-production cooperation. In addition to the import of contemporary western technology, joint assimilation of our progressive technologies and scientific elaborations and the organization of production of high-tech products could become a base for achieving this. Wouldn't this facilitate a great breakthrough and the winning of firm positions in the international market?

Branch and technological specialization with developed countries would serve the same purpose.

But it is not enough to see it only as a source of producing consumer products, even if the scientific basis for it is quite great. It is something else that is most important. Production technology—this is what opens up possibilities for organizing the production of consumer goods as well as of equipment for manufacturing the more complex of these.

Traditional paths should not be forgotten. Scientific-production cooperation, an increase in the scientific base



of imports from capitalist countries—these are the main directions in the development of economic ties with them. But probably we should not forget about improving traditional directions—trade in raw materials, fuel and industrial semi-processed products. After all, initially this provides a material base for making the transition to the new model of cooperation. Of course this is accompanied by constant growth in the proportion of processed products.

Also not exhausted are reserves in exporting services in the area of transportation and the building of objects in third countries, program services, work in outer space and services of a direct nature—tourism, health protection, and cultural and sports exchanges.

In terms of business and a precise orientation, we all know that our domestic market is attracting the businessmen of Western countries like a magnet. But their surge is being held back not only by the lack of readiness of the Soviet economy to respond in full measure. They are also unaccustomed to the level of our business environment, which we must develop, just as we must also develop a solid trade and political infrastructure. What do we have in mind? First of all, we must urgently complete the bringing of Soviet law into line with the demands of greater "openness" of our economy. Secondly, we must seriously improve the contractual-legal basis of the entire complex of foreign economic ties as well as bilateral relations.

To a large degree prospects for developing cooperation with capitalist countries can determine laws on foreign investment, on foreign trade and hard currency control, on competition and on a new tariff code...For bilateral ties the significance of contracts on protecting foreign investments, the avoidance of double taxation and others are important. A great deal also depends on the level of competence of our foreign economic cadres, on opportunities to deal with business questions and on implementing deliveries within the time period that is suitable for international trade and so forth.

There is another serious circumstance. We must determine what our priority directions are for cooperation with various groups or even individual partners. Thus, it is more advantageous to build relations with Western European countries while constantly keeping in mind the processes for the formation of a single internal EEC market, the existence of an organization such as YeAST [EFTA; European Free Trade Association] and finally the new situation in the Eastern European region. We should not avoid a keen outlook and thrift in relations with Western European countries, which traditionally move more actively toward contracts with the USSR, including under new forms of cooperation; this is especially true for the FRG, France, Italy and Finland. A special approach to the so-called small countries of Europe, each of which has a considerable potential for organizing specific directions in cooperation, is required.

Cooperation with Australia can serve as the characteristic example for ties with developed Western countries. Here is the structure of our trade with it: primarily the USSR exports cars, tractors, machine tools and refrigerators and imports agricultural goods and industrial raw materials. The imbalance in our trade comprises approximately 1:30 in favor of Australia. Today this situation could probably be corrected just by imports of raw materials and building and saw-timber materials from the USSR. However, this is just a temporary solution and it does not correspond to our interests. Evidently a more correct although more difficult solution is another non-standard method—the development first and foremost of new forms of economic cooperation.

Ties with the U.S. and Canada must be discussed separately. To them we and to us they are virgin territory. The future will show what the results of this territory's assimilation will be. But we should be preparing for this already today without losing time. In the future after the removal of various limitations the broadest horizons may open up—from multi-resource to narrow specialized technological cooperation. In the very nearest future we should also considerably alter the mechanism of trade and economic cooperation with them—develop branch consortiums, and organize economic ties between individual regions of the U.S., Canada and Soviet republics and others.

Two large partners are located not far from our borders—Great Britain and Japan. With regard to the former we attach great significance to the implementation of a long-term program as well as to the introduction of new forms of trade and economic cooperation. It would be expedient to orient ties with Japan toward a more intensive regional cooperation in the eastern regions of our country, as well as toward the extensive utilization of financial and technological potential of Japanese firms to solve the economic problems of our regions.

We cannot do without new concepts. Yes, it is obvious that right now we are lacking in elaborations of conceptual and strategic approaches to foreign economic cooperation, a precise determination of long-term and short-term goals and tasks, the selection of priorities that foresee a rapid and effective concentration of forces and resources for solving the most important and specific problems. Is this perhaps why we too often make incidental import purchases that are not coordinated with internal plans and possibilities, which result in either an increase in the volume of non-regulated equipment or in the appearance of dependence on new imports not only of technology but also of raw materials and materiel? Isn't it here that to a significant degree we find the roots of growth of the foreign debt, which can seriously destabilize future development of business cooperation with capitalist countries if we lose control over it?

We expect with good reason that economic reform and the development of market relations will create favorable conditions for great compatibility of macro- and

micromanagement structures between the USSR and capitalist countries. We cannot underestimate further de-idealization of Soviet foreign economic ties. This is an important factor in the more effective inclusion of the Soviet Union in international processes within Europe and in the Asian-Pacific region.

### Lessons of Unsuccessful Joint Ventures Examined

90UF0164A Moscow *RABOCHAYA TRIBUNA*  
in Russian 10 May 90 p 3

[Article by M. Rudenko, Moscow: "Near-Economic Improvisations: Unprofitable JV's: Who Is To Blame"]

[Text] Joint ventures (JV)—A relatively new phenomenon in our economic activity: A USSR Supreme Soviet Presidium Decree that regulates their establishment is dated January 1987.

Lately a series of articles have been published in our press that discuss the advantages of JV operations (And there are already 1,274 of them registered as of the beginning of 1990). The majority of them either produce manufactured goods or mass demand goods that the national economy acutely needs or render paid services to the population. However, the activities of those JV's whose declared goals and intentions drastically diverge from their actual daily business stand out somewhat more boldly against this healthy background.

You do not have to go far to find examples.

The "sheaf [of papers]" of the founders of VNII [All-Union Scientific Research Institute] Maritime Fishery and Oceanography (80 percent charter fund) and its American partner—the firm Elan International—appears to be representative in all respects. Its stated goal—"the manufacture of taste and aromatic additives—is quite timely for our food industry that is floundering on its feet. We all know that not only Western tourists but also mongrels who have been starving for weeks are squeamishly turning their backs on our "Molodezhnaya" [Youth] Sausage and its recipe understudy "Kolbasa dlya zavtraka" [Sausage for breakfast]." But if our readers who have yearned for Finnish "Servalata" had time to think that a new technological line is ready to start producing colorful packets of the above mentioned aromatic additives round-the-clock somewhere in the vast Non-Chernozem area, disappointment awaits them. For the time being, the fantasies of the JV's Soviet founders have sufficed only to purchase a license from their partner for 100,000 dollars. There is an "additive" for you!

But take JV veterans—Soviet-English Dynamik that registered in the Soviet Union in 1987. The business goals announced by this institution, "Development of teaching systems for foreigners learning the Russian language," were received, by Intourist in particular, with great enthusiasm, all the more so since the respected Gerald Computers Company that knows machine language well was part of this deal from the English side.

Hopes for success increased especially after the first computer games were developed and were awaiting distribution. Alas! Soon the respected founders slid down the unoriginal path, worn smooth by many others before them, of becoming a trivial middleman who embarked on operations involving hard currency purchases of personal computers abroad and their resale in the USSR.

Even entrepreneurial humor already has shorter short pants—during the entire short period of time that JV's have existed in our country. We all know that the American Firm Raleks International turned out to be one of the earliest explorers "from over there" in the JV system and the tactful collective of Takt Cooperative threw itself into their embrace in 1986 to the highest degree. The American party was a certain businessman named Rusinov, an experienced psychiatrist who, after landing at Sheremetyevo-2, so effectively approved the techniques and methods of parapsychology that he contrived, in his words, "to conclude 105 deals" during the entire 25 days of his stay in the USSR. The 105 operations turned out to be the American psychiatrist's promise to purchase the most expensive honey that we also have an acute shortage of from our native Pchelka Cooperative under [the cover of] which Rusinov contrived to send his international phone bill of more than 2,000 rubles to the luckless cooperators instead of the draft JV charter!

Having become intimately familiar with individual JV's founding documents, it strikes your eye that their declarations of activity exceed the efforts of our entire economy in scale. Liko-Raduga JV is a typical example of the type of enthusiasts who had undertaken, as they say, to embrace the unembraceable—with a more than frugal charter capital of 40,000 rubles. Our readers' fantasies are hardly sufficient to compare this "financial might" with the JV's noble intentions: "To build buildings, housing, hotels, restaurants, to organize transportation, hire equipment, organize sporting and spectator activities, international tourism, establish a chain of stores, carry out production, sale, export and import of goods, organize collection of utility wastes, and render consultative assistance in the area of marketing and exports and imports."

The result? Everything is the same: Zigzags and defects in management and entrepreneurial activities which as a whole in a number of cases went beyond the bounds of our extremely humanitarian criminal code. For example, exactly like it occurred with the sadly notorious ANT State Cooperative Concern.

The narrow framework of this article does not allow us to continue the deplorable list of "deviations" of a number of JV's from initial concepts and plans. It is characteristic that obscure aspects of JV activities increased when numerous that obscure organizations, associations, societies, foundations, and also scientific production cooperatives gained access to the foreign market.

Unfortunately while gaining access to the broad expanses of the world market, our fellow citizens are frequently lacking not only in special knowledge but also in understanding their partners psychology. Hence at times the inability to oppose "businessmen" is nothing other than near-economic improvisations and also primitive head scratching and a crude grasp of the most general discussions...

Two years—is no more than a short moment in the history of our state. Nevertheless, it was also sufficient for foreign firms to begin to believe in the idea of JV's and to enter into the Soviet market. According to Goskomstat [State Committee for Statistics] information, companies from 60 of the world's countries are JV founders along with our organizations.

One of the urgent tasks of the operating and newly opened JV's is to avoid, at any price, this chopping of "chips" from which the healthy trees of ideas, intentions, hopes, and good deeds utterly unjustifiably fly in the field of entrepreneurship.

#### **Role of Brokerage Firms in Soviet Foreign Trade Assessed**

*90UF0163A Moscow IZVESTIYA in Russian  
12 May 90 Morning Edition p 2*

[Interview with A. M. Tarasov by Staff Correspondent I. Zhagel: "There's No Market Without a Middleman"]

[Text] The first tender shoots of democratic changes in foreign trade are now being accompanied by compaigns so noisy that they compare only with the antialcohol campaign for sheer emotional fervor. It is no accident that the new, nonstate structures that have made their appearance in the area have come, along with their representatives, to be regarded by many Soviet people as well-nigh personal enemies. What real role does and should brokering play in our economy? That's the subject of our correspondent's discussion with A. Tarasov, general director of the commercial foreign-trade association Istok [Source].

[Zhagel] Artyun Mikhailovich, first, what is your view of the assertion that the demonopolization of foriegn trade has resulted in a sell-off of national riches abroad, at bargain prices, and has therefore left us all poorer?

[Tarasov] When I hear that said, forgive my saying so, but I have to laugh. One has only to move from emotions to facts—something, I might point out, that our mass media are in no hurry to do—for that myth, which is built on sand, to collapse.

At present, the largest transactions that my colleagues are concluding don't exceed five to six million rubles. And the sum total of operations being conducted by the new foreign-trade organizations account for less than one (!) percent of our country's exports, which amount to more than 50 billion rubles.

What does this latter figure tell us? It says that every day dozens, if not hundreds, of freight trains carrying various

goods, including the metal, timber, petroleum and coal in question and a great deal more, leave for foreign destinations. But the TV screens persist in showing us one or two freight cars loaded with scrap metal, under which customs inspectors have discovered several tons of pipe that's in short supply, or some other thing.

Activities of that kind have to be stopped, of course. But to fail to see that beyond them lie more important problems is to show a lack of professionalism.

**[Zhagel] Do you think that someone is intentionally blowing up such incidents in order to detract attention from the main thing?**

[Tarasov] And why not?! In any case, because of the latest denunciatory campaigns, everyone somehow forgot that maintaining the monopoly positions of the state foreign-trade organizations is the basis, in and of itself, for colossal abuses and costs us many billions in losses

And how could it be otherwise, if their employees' well-being still depends very little on the effectiveness of the transactions, and if they have no fear of losing the confidence of the enterprises whose output they sell? And I wouldn't be divulging a secret if I told you that for many of them the most important incentives are the presents they receive and the trips abroad that are arranged by their foreign partners—all of which has to be paid for naturally. But paid for with special funds, not out of their pockets.

There's a lot to be said on this topic, of course, and a lot to argue about. But there is an absolutely objective criterion that shows and proves how ineffective the work of the state foreign-trade organizations really is. That is the raw-materials nature of our exports, an aspect that they have maintained for decades now.

**[Zhagel] When you say that monopolism influences the quality of contracts, that's understandable. But what's the connection between the foreign-trade employees' poor performance and the structure of our exports?**

[Tarasov] A very direct one. Unfortunately, the function of foreign trade is still understood in extremely primitive terms in our country: You sell something, you buy something, you collect your commission, and to hell with everything else. It's different in other countries. There are thousands and thousands of so-called brokerage firms there that play an immense role in the development of industry. Let me give you an example.

While our foreign-trade organizations can go on selling timber on the cheap for decades on end, a broker will sell that kind of goods once or twice and then propose to his suppliers that they buy equipment for processing that timber. And he might even set up the needed production facility himself, enlist the needed personnel and funds, search out the most advanced production technologies, study demand, and secure the best-quality raw materials and components. Naturally, he's looking after his own

well-being, since dealing in finished goods is more profitable. And what's more, if the broker doesn't show initiative, the supply firm will find itself another partner.

Incidentally, today many of our enterprises and associations are attempting to create foreign-trade organizations of their own. And what then? In the West, as a rule, even major firms don't have them. And for our economy it would be far more advantageous if the government provided incentives for the creation of a multitude of independent commercial broker-type organizations, which, as a result of the fierce competition, would raise the quality of service in that area to a very high level.

**[Zhagel] You say the government should provide incentives. For what? For the development of the kind of activity that, just a few months ago, the USSR Supreme Soviet declared illegal and even unbecoming a Soviet person?**

[Tarasov] Our society must finally admit that playing the role of a middleman, including playing that role in the sale of Soviet goods abroad, is not only a fitting activity but also an extremely necessary one. Without such activity, it will be impossible to create a market economy—or to manage effectively at all, for that matter.

I'll tell you something else. By limiting Soviet citizens' ability to conduct foreign-trade operations, our government is creating ideal conditions for foreign middlemen, who are making a tidy fortune as a result. I know that they are reselling certain Soviet goods several times over, sometimes even before the goods have left our country.

**[Zhagel] If the future of our new foreign-trade structures was up to you, what would you do first?**

[Tarasov] First off, they need to be put beyond the influence of the ministries and departments and subordinated directly to the government. And it, in turn, should regulate our activities only by means of taxation.

As things stand, the crudest kind of interference is rampant in these matters. And things are going from bad to worse. For example, it has now become known that the International Bank For Economic Cooperation is creating an oversight-and-audit administration that is to be given the right not only to check on the activities of any and all independent participants in foreign-economic relations but also to close them down.

I doubt that many will recover after checkups by that oversight- and-audit administration. After all, any contract can be suspect. They may say, for example: "You sold those goods for such-and-such a price, but they could have been sold for a higher price in Singapore." Then just try and prove whether they could or couldn't have been.

The approach in this case is purely administrative—it's not the parties to the contract who decide how effective their cooperation has been and whether it can profitably be continued, but some third party.

**[Zhagel] I know, incidentally, that punitive measures were taken against one of the participants in your association last year.**

[Tarasov] True, the joint Soviet-British enterprise, Micrograph, was accused of exporting contraband. That was reported promptly in the press. But no one took the trouble to inform the public that, upon investigation, all the accusations burst like soap bubbles and apologies were proffered.

**[Zhagel] So it is possible to ascertain the truth, after all.**

[Tarasov] It is possible; what's not possible is operating under conditions of extreme suspiciousness. Particularly since, in addition to the exhausting checkups, we have a mass of other problems. For example, in recent times the procedure for obtaining export licenses has become incredibly complex.

**[Zhagel] But firms have to obtain export licenses in other countries as well,**

[Tarasov] Agreed, but in most cases licensing there is based on political considerations.

In our country, on the other hand, getting a license depends on a mass of other conditions—on the designs that the State Planning Committee, the State Supply Committee, and other organizations have on the goods being exported. In general, it's simply amazing how people in our country have taken the norms and methods of regulating foreign-economic activities that have been worked out in world practice and altered them to suit their own purposes—how they've not only built them into the administrative-command system but, in so doing, have actually strengthened that system.

Take, for instance, quotas on shipments of goods. Other countries introduce such quotas to protect their market from a flood of cheap imported goods that could wreak havoc with the well-regulated economic mechanism.

In our country the opposite is the case. The quotas are applied to limit exports. Thus, the administrative-command apparatus gets its hands on potent levers of power. Incidentally, quotas are not the only way of limiting exports. Where can such things get us?

At present, for example, Vorkuta miners have been given the right to ship their output for export, once they have met their contractual obligations. But with the help of quotas and licenses, it's easy to make a fiction of all that independence, and as far as I know, that is what is actually happening at the present time.

**[Zhagel] I recently had occasion to speak with the heads of a workers' committee in the Kuznets Basin, and they complained to me precisely about the fact that they're completely unable to get a license to export their above-plan coal.**

[Tarasov] That confirms once again the reality of the problem. And what a lot of problems are arising at the

present time in relations with the customs authorities. Incidentally, customs duties are another means of regulating foreign trade—a means that has been altered in a special way in our country.

While customs duties are used in the West to bring the price of imported goods into line with the price of domestic producers' output, in our country they are sometimes several times higher than the cost of the goods themselves and, to all intents and purposes, become an insuperable barrier to normal trade.

**[Zhagel]** In general, what are the new foreign-economic organizations importing? At the recent session of the Presidium of the USSR Council of Ministers, which examined their activities, it was said specifically that they are concentrating on electronics to the detriment of other things that people need. And that not much equipment is being imported.

**[Tarasov]** Why does someone need to determine what people need? I believe that the market best expresses those needs. And today, electronic equipment is selling here at triple the price. So it needs to be shipped in—thereby, on the one hand, satisfying the needs of our people, who no longer want to live in the Stone Age and, on the other hand, driving prices down.

And as for purchases of equipment, I'm confident that if the government had a stable economic policy, and if it would truly free business people's hands, industry would literally be transformed.

**[Zhagel]** I know that you made suggestions at the aforementioned session of the Presidium of the Council of Ministers. What exactly did they amount to?

**[Tarasov]** What I proposed was precisely the creation of an organization, independent of the ministries and departments, that would deal with the development of new foreign-economic structures. The idea won support. The development of appropriate normative documents was ordered. We will also be participating in that effort.

#### **Samarkand Forms Foreign Trade Administration** *90UF0113A Tashkent PRAVDA VOSTOKA in Russian 10 Apr 90 p 2*

[Interview with S.R. Irgashev, head of the Administration for Foreign Economic Operations of the Samarkand gorispolkom, by V. Karimov: "Second Childhood of Samarkand—Ancient Center of World Trade"; passages in boldface as published]

**[Text]** By a decision of the ispolkom of the Samarkand City Soviet of People's Deputies, an economically accountable Administration for Foreign Economic Operations was created in the gorispolkom. Our correspondent interviewed the head of the administration, S.R. Irgashev.

**[Karimov]** What motivated the officials of the Samarkand gorispolkom to create this subdivision? What did they hope to accomplish?

**[Irgashev]** First of all, Samarkand has been one of the leading centers of world trade, culture, and the arts since ancient times. Second, Samarkand has impressive industrial, scientific, and agricultural potential. Third, the city has received specific proposals from foreign business groups regarding direct foreign economic ties and joint ventures.

These proposals are concentrated in the gorispolkom. They must be processed, analyzed, and coordinated. They require detailed work. The city soviet has a chance to begin the planned improvement of the material and technical base of the municipal economy, services and utilities, and the city's historical and cultural monuments through the skillful use of the mechanism of foreign economic operations and the attraction of foreign capital.

**[Karimov]** What is the administration? A new department of the gorispolkom or an autonomous entity?

**[Irgashev]** It is not a department, but an autonomous body operating under gorispolkom auspices. The administration has established direct ties and contacts with departments of the Ministry of Foreign Economic Relations, the heads of USSR Vneshekonombank [Bank for Foreign Economic Operations], foreign trade firms and organizations, and the USSR and Uzbek SSR chambers of commerce and industry. The registration of our administration with the USSR Ministry of Foreign Economic Relations as a participant in foreign economic operations is being finalized, and the necessary documents have been filled out to open our own foreign currency account in USSR Vneshekonombank.

We have ironed out all of the details of the acquisition and installation of international telex and telefax communication equipment, modern office equipment, and personal computers and are creating a database on overseas firms and companies with their commercial profiles and areas of specialization.

**[Karimov]** What are the new administration's basic principles and objectives in securing commercial success?

**[Irgashev]** Joint ventures will be formed in Samarkand to arrange for the construction of tourist and hotel complexes and the all-round development of the tourist industry. Through the administration, the Samarkand City Soviet of People's Deputies will contribute resource and land use rights to the charter capital of the joint ventures. Suffice it to say that the value of a 2-hectare lot in Samarkand for the construction of a hotel is estimated at 2.5 million rubles or more. This represents around 15-20 percent of the initial capital, which will provide us with an equivalent percentage of distributed profits in hard currency in the future. In addition to contributing land, the economically accountable administration can also invest money and other property in future joint ventures to increase its profits.

The city will earn foreign currency by performing work and rendering services for the foreign firms and companies. For example, the city will supply foreign firms and companies with office space for their agencies and with houses and apartments for their employees and their families. All of this will be done only for hard currency.

As an economically accountably organization, the administration has a vital interest in ensuring that the maximum number of Samarkand enterprises, organizations, and cooperatives become autonomous organizations with foreign economic operations and have the right to conduct export and import operations directly. As an extra-departmental organization, the administration will take care of all of the formalities and documents allowing city enterprises to establish direct ties.

[Karimov] Have any actual steps been taken for the negotiation of contracts with foreign firms yet?

[Irgashev] Last December, in conjunction with the Uzbekinotorg Foreign Trade Association, we conducted negotiations with J. Pallet, the general director of the French SBS firm, on a joint venture for the construction of a hotel with accommodations for 300 guests near the Ulugbek Observatory. The construction project is scheduled to begin in 1991, and the facility should be ready to open in 1993.

This will be the only tourist complex organizing tours from Tashkent to Samarkand to Bukhara to Khiva. The French side will be responsible for selling the tickets and flying the tourists to us.

Negotiations have also been conducted with S. Ferdman, the general director of the American Action Group firm, on joint ventures in Samarkand for the production of personal computers, audio and video equipment, and passenger cars. The question of financing and extending credit to foreign companies and firms intending to invest capital in Samarkand is being considered.

An agreement has been reached with A. Uighur, general director of the Turkish-Chinese Elektronika joint venture, on the joint production of video and audio cassettes at the Gelion Plant and on purchases of brine-cured pig skins, horns, hooves, bile, and dried marrow bones by this firm from the Samarkand Production Association of the Meat Industry for convertible currency.

A protocol on a joint venture with the French Bouing firm was signed in February. A hotel will be built for foreign tourists. One of the members of the French delegation was the firm architect, who toured the site of the future hotel and coordinated the plans with the chief architect of Samarkand. The dates were set for signing the articles of incorporation of the joint venture and for their registration with the USSR Ministry of Finance.

In addition to these negotiations, new proposals and plans requiring detailed analysis and investigation are

still being sent to the economically accountable administration. Therefore, we will have much to do in the future.

### Violations of Passport, Customs Regulations in ESSR Reported

90UF0113B Tallinn MOLODEZH ESTONII  
in Russian 10 Mar 90 p 1

[Article by P. Panfilov, second secretary of Tallinn Gorkom of Communist Party of Estonia and deputy of Estonian SSR Supreme Soviet: "Private Travel on a Diplomatic Passport"]

[Text] I was motivated to address republic newspaper readers by the following incident: At a conference of the Communist Party of Estonia, Secretary S. Puchkov of the party committee of the RET Association said that the Estonian SSR Ministry of Foreign Affairs was illegally issuing diplomatic and official passports to some citizens of the republic for travel abroad for personal reasons and said that this was connected with the unjustified issuance of foreign currency. Investigating the accuracy of this information is a job for the procuracy, but I personally had no great doubt that this was going on after I read a few documents.

The documents indicate that certain individuals having no connection with the diplomatic service were issued diplomatic and official passports by the Estonian SSR Ministry of Foreign Affairs for trips abroad for personal reasons in 1989 in violation of the USSR Council of Ministers' decree regulating the issuance of passports for overseas travel. I must explain that when citizens leave the country for personal reasons, they are to be issued only an ordinary citizen's passport, and not by the MID [Ministry of Foreign Affairs], but by OVIR [Visas and Registration Department, Ministry of Internal Affairs]. You might wonder why so many people are trying to get their passports through the MID. Because, by law, there are strictly defined limits on the amount of rubles each citizen can exchange for foreign currency during the year for personal travel, and the amount is recorded in the passport issued by OVIR. When a person receives a diplomatic or official passport from the MID, however, the notation is not made, and he can exchange currency as many times as he wishes. For example, former Secretary T. Laak of the Tartu Gorkom of the Communist Party of Estonia, who recently became the president of the Soviet-Swedish Estlein firm, managed to receive foreign currency four times last year through the MID. Furthermore, as a people's deputy, he used a diplomatic passport on his private business trips abroad. What are the advantages of this passport? Its owner usually does not undergo customs inspections and is not bound by restrictions on the currency and items he brings into the country and takes out of it. Who else used the services of the MID? There are dozens of names on the list. I will cite just a few: T. Mendelson, R. Otsason, V. Porfiriev,

T. Yarve, M. Titma, Kh. Lumi, Kh. Valk, K. Gerndorf, M. Kalastik, T. Kuldsepp, P. Pakhkla, T. Voyt, M. Kaas, and others.

In this way, in just the first 9 months of 1989, the equivalent of at least 400,000 rubles in hard currency was illegally removed from the Estonian republic bank's deposits in the USSR Vneshekonombank [Bank for Foreign Economic Operations].

Last November a man named Klevtsov from Tallinn was arrested by the Moscow Criminal Investigation Department for unlawful activity. Unfortunately, I do not know what happened to Klevtsov, but here is something shocking: When Klevtsov was leaving for France, he had two passports. One was an ordinary citizen's passport from OVIR, and the other was an official passport from the Estonian SSR MID. Both were issued to him within a space of 10 days.

I want to direct the reader's attention to the fact that the boom in diplomatic and official passports and currency took place last October. Why? As we now know, a new rate of exchange for private business travel went into effect on 1 November last year. Whereas the bank had previously issued 1,400 Finnish marks for every 200 Soviet rubles, on 1 November the same quantity of foreign currency cost 10 times as much, or 2,000 rubles. Of course, some people knew about the new rate of exchange in advance and were quick to make use of this opportunity. Because some people went abroad five or ten times, others could not travel at all, because the maximum amount of foreign currency had been spent. According to the approximate estimates of experts, the 3-year limit on the amount of currency for sale to citizens traveling abroad was exceeded in 1989. Of course, some people might say that there is nothing illegal about the issuance of passports by the MID at a time when OVIR cannot keep up with the applications from the many people who want to travel. I would then ask them these questions:

On what grounds did the Estonian SSR MID issue applications for foreign currency to individuals for personal travel?

Why did the same people make these trips several times, and who made it so convenient for them to exchange their currency last October?

Finally, why were the overwhelming majority of the people who were enjoying all of these privileges some of the most influential and prominent people in the republic?

As far as I know, criminal proceedings were instituted in some of these cases, but I think it is odd that the news media, which are usually so eager to stir up excitement, did not say a single word this time, and the population of the republic does not know anything about these events. I realize that too much publicity could hamper the investigation, but some of the people who broke the law have already been arrested, and the public could be

informed of at least the most general features of these cases. I also know that USSR Vneshekonombank is already refusing to satisfy the currency appetite of the republic after learning how we have been spending the currency our country needs so much.

From a series of articles in *MOLODEZH ESTONII*, we learned of the scandalous story of the Estfin joint venture, which could cost the republic economy millions. Judging by all indications, another scandal is brewing over another joint venture—the Soviet-Swiss Estkompeksim firm, the same firm that sells the 50-kopek “Penguin” ice-cream bar. What is the explanation for the inclusion of former and current officials on the board of the firm—G. Tynspoyeg (former chairman of the State Agroindustrial Committee), T. Kyukhkna (deputy chairman of the Agroindustrial Committee), R. Padar (deputy minister of trade), and R. Remmel (deputy chairman of the board of Vneshekonombank), the same establishment whose employees were convicted of purchasing foreign currency in their own bank through aliases and assumed names? There is a USSR Council of Ministers decree forbidding the heads of ministries and departments to become members of the board of joint ventures, because they might use their official position for personal gain. Is this why we have so much chaos in the national economy as soon as high-level administrators manage to hold two or three positions simultaneously? The following facts are enough to corroborate the existence of chaos. Tons of ice cream are frozen in a Tallinn refrigerated storage facility because of packaging difficulties. It seems more sensible to buy an imported packaging line and sell our high-quality ice cream at the usual price. But no, as a famous character in a film once said, “normal heroes always do things in a roundabout way.” This is why imported flavoring and coloring agents are added to the good natural products in our ice cream, and it is sold at 50 kopecks a portion, and next year it will already cost 60 kopecks because different kinds of fruit will be added to it. I would like to direct your attention to the following significant fact. Whereas our ice cream is sold by weight, the Swiss ice cream is sold by volume. This gives the enterprise additional profits at the expense of the customer. Incidentally, sale by volume instead of weight was agreed upon in the contract. Who benefits from this? It is probably not the customer.

In view of all this, it no longer seems odd that the Estkompeksim branch in Moscow is headed by former USSR Deputy Minister of Foreign Trade Yu. Aleshin. Officials have an unfathomable (or is it perhaps all too fathomable?) craving to manage joint ventures!

I would be happy to be mistaken, but it is possible that a substratum of government officials and party dignitaries is beginning to take shape in our republic and is taking advantage of favorable opportunities to seize the top spots in the sphere of international economic relations for completely obvious purposes. This could seriously hurt the republic economy.



Let us speak frankly: The recent exposures of the activity of the union ANT cooperative, which had been sending strategic resources and materials abroad, proved that some administrators will do anything for money.

Now that these alarming symptoms have shown up in our republic, I suggest the creation of a standing parliamentary commission made up of competent economists and financial experts to put the operations of joint ventures under the strictest control.

Besides this, the party control commissions of the Estonian CP Central Committee should be asked to investigate the legality of the issuance of passports by the MID and currency by Vneshekonombank. Even if the republic procuracy is conducting an investigation, the delegates to the upcoming 20th Estonian CP Congress deserve an answer to the question raised at the party conference.

### **Armenian Foreign Trade Mechanisms Examined**

90UF0113C Yerevan *KOMMUNIST* in Russian  
16 Mar 90 p 2

[Article by A. Sarkisyan, chairman of the Presidium of the Armenian SSR Chamber of Commerce and Industry: "From Liability to Asset"]

[Text] Under the conditions of the current perestroika of the management of foreign economic operations in our country, enterprises and production cooperatives have acquired the right to operate in the foreign market and conduct export and import operations directly. This has required a search for new forms of work throughout the entire Chamber of Commerce and Industry network.

The management structure of the chamber has been reorganized, and new economically accountable firms—Apaga, Yuniservis, and Armekspertiza—have been established to perform various types of services promoting the development of the foreign economic ties of republic associations.

The level of available commercial and reference materials has risen, new informational publications are being edited, incorporation documents and technical and economic specifications for joint ventures are being drawn up, and the network of subscription services is being expanded. Tours of republic enterprises and organizations have been arranged for representatives of foreign business groups, and exhibits of export goods and introductory displays of the goods of export firms have been held in Armenia and abroad. Agreements have been signed with several republic departments and enterprises for assistance in the organization of barter operations. Now that defense branches in the country are being converted, we are examining different ways of specializing production units with the aid of foreign firms.

The Armenian Chamber of Commerce and Industry has established and developed contacts with foreign business communities, is cooperating with other chambers of

commerce, and is encouraging associations to participate in these activities. We participated in the planning of measures to improve the republic's foreign economic relations. Seminars and conferences assist enterprises and organizations in mastering the fundamentals of marketing, personnel training, advanced business training, etc.

We plan to open an information center in the chamber network soon, with data on possible partners in cooperative projects, current information on comparative prices in markets for goods and services, etc. Contracts have been signed on joint ventures with firms in the United States, France, and Italy to offer services to foreign companies and individual businessmen planning operations in our market, to draft and carry out plans for economic, scientific, and technical cooperation, and to train managers and specialists in international trade.

In essence, all of our work is intended to assist participants in foreign economic operations. The chamber has also rendered assistance in the disaster zone by encouraging foreign firms to participate in restoration projects.

In many areas, however, our work is not keeping up with rising requirements. Our informational and consulting services for republic associations need improvement, the specific needs of the associations are not investigated sufficiently, and there has been little effective assistance in expanding and developing new forms of trade, economic, scientific, and technical cooperation. The quality and level of many services are low and cannot keep up with world standards. Of course, much of this is due to the prevailing attitude toward the Chamber of Commerce and Industry for decades, the underdevelopment of its material and technical base, the shortage of specialists on its staff, etc.

The inclusion of these problems in the documents of directive agencies led to the necessary decisions regarding the perestroika of work throughout the system of the USSR Chamber of Commerce and Industry. The documents define the status, powers, and obligations of the chamber and specify ways of developing its material and technical base. The republic administration solved the problem of constructing a new building and several other problems connected with the development of the chamber's base. The consolidation of the sovereignty of union republics and their transfer to self-funding and economic accountability will make the improvement of all chamber activity even more essential.

Now that a program has been drawn up to encourage free enterprise in Armenia, our work is much more complicated. This means that perestroika will be necessary not only in the Chamber of Commerce and Industry and other foreign economic organizations, but also in the entire system of republic social and economic management. Today the chamber's main function is the creation of the necessary conditions and prerequisites for the completion of the republic's foreign economic program,



entailing the use of all forms and methods of carrying out the program and serving all of its needs.

I would like to focus attention on this matter. The decentralization of foreign economic policy led to increased enterprise activity and the appearance of such organizations as consortiums, joint ventures, and associations. It changed the quantitative and qualitative makeup of the participants in foreign economic relations. Each of them can and must include measures to develop export potential in their own programs, in line with their own interests and in accordance with the Law on the Socialist Enterprise (or Association). The success of the efforts to attain this strategic goal and the degree to which it serves the interests of the entire republic economy are clearly revealed by an analysis of the results of our producers' export operations.

The structure of exports and their growth dynamics are the result of years of export plans (and state orders) without any changes in the assortment of commodities, and growth is generally secured by raising the prices of items. If this basic indicator of participation in international division of labor is compared with the indicators of such republics as Estonia, Moldavia, Lithuania, Latvia, and others, it is relatively low, but the enhancement of the competitive potential of goods is the main objective and the main result of any economic program. When we seek solutions to global problems in foreign economic cooperation today, we inexplicably fail to begin at the logical starting point.

The concept of the free enterprise policy was elaborated under the direct supervision and with the participation of the Armenian CP Central Committee and with the help of prominent scientists in the republic and Moscow. At the suggestion of the republic administration, several leading economists who had emigrated from Armenia to the United States, France, Canada, and other countries became involved in this work. We think that the efforts to develop foreign economic ties can already move from the level of theory to the level of actual decisions in the plans and programs of the republic and of economic departments and organizations.

We shared our views on this matter with the administration of the republic Gosplan and made a number of specific proposals, essentially consisting in suggestions regarding immediate measures to enhance the quality and competitiveness of products, review structural, pricing, and investment policies, establish production and social infrastructures, and create organizational structures to manage these processes.

The terrible earthquake destroyed one-third of our resources and left more than half a million people homeless and jobless. This situation is being complicated by problems in inter-ethnic relations. Today all of us must work on bringing the republic out of this crisis and taking sweeping measures to restore the national economy.

A cursory analysis of foreign economic operations reveals that we are still not participating actively enough in the attainment of these objectives. We have not had the courage to make a break with the stagnant traditions of the past. The activities of joint ventures, numbering 12 in the republic, counting subsidiaries, provide a good example of this. Not one of these is performing its basic function. They are mainly performing mediating services, conducting inefficient export-import operations, pumping currency out of the Soviet Union and sending it abroad, etc. Of course, there are subjective reasons for this, but we are still seeking easy solutions. Under the same conditions, many joint ventures in different parts of the country are already manufacturing finished products.

Joint ventures could quickly make up an extremely dynamic sector of the national economy with a visible "demonstrative" effect on the economic environment, stimulate market relations, and secure genuine commercial autonomy on the enterprise level. From the time of their formation, they serve as the "connecting links" between the domestic economic mechanism and the foreign economic mechanism by promoting the creation of a more open national economy. The fact that this could be the most stable basis for effective participation in foreign economic relations is also of the greatest importance.

Problems in border trade are taking too long to solve. For unknown reasons, negligible volumes of commodities are stipulated in the trade quotas of the republic cooperative union and Ministry of Trade. There have been delays in the coverage of the export plan for 1990 in the Armenintorg Foreign Trade Association.

Aspects of foreign economic cooperation must be considered in earnest by each department, enterprise, and organization. A special program should be drawn up at the government level to secure the enhancement of the competitive potential of domestic products, stimulate export operations, create the necessary production and social infrastructures, improve the foreign economic mechanism, and set up a complete mechanism of economic levers and incentives for the encouragement of commercial enterprise and investment. At this time it will be possible to attract many foreign investors, especially Armenians living abroad, to solve most of the republic's socioeconomic problems. This is one of the best ways of stepping up economic renewal and recovery. The economic and legal mechanism in the republic, however, must not limit the chances of foreign investors to participate in republic economic affairs.

Economic priorities must be set, and investments should be directed primarily into the top-priority fields for their immediate development with the use of all forms of cooperation. The program should also address the management and coordination of all types of foreign economic cooperation. The training of managerial personnel to work under the new conditions is our main concern and it warrants special attention.

Plans for the establishment of schools to train managers in Yerevan jointly with the American Erebuni firm and the Mirbis international business school are being negotiated and finalized. The talks with these organizations have produced concrete results. A representative from the international business school has already been appointed to oversee the organization of the schools in Yerevan. Our foreign partners have pledged to establish currency funds for technical and curricular support, and we have promised to provide buildings meeting the requirements for organizations of this kind.

Another important matter is the organizational structure of the management of republic foreign economic ties. In our opinion, it is time to create a special body, a state foreign economic commission, to manage these relations directly and also perform such functions as the drafting and supervision of special programs for the development

of relations and the drafting of proposals on the improvement of export-import strategy, the scientific fundamentals of a smoothly functioning mechanism of foreign economic relations on the republic level, and the state regulation of foreign economic activity.

In a single article it is impossible to address all of the aspects of a topic as broad as foreign economic cooperation, which will depend directly on the perestroika of the entire economic mechanism. The distinctive features of the current socioeconomic situation in our republic and the ideology of improving socioeconomic relations in the country, with a view to the inter-ethnic climate in Armenia, dictate the immediate institution of the policy of free enterprise, which will provide opportunities for the effective use of the foreign economic factor in the development of the republic.

**Charles Vanik on Repeal of Trade Agreement**

90UF0115A Moscow IZVESTIYA in Russian 25 Apr 90  
Morning Edition p 4

[Interview with Charles Vanik by B. Ivanov in the editorial offices of IZVESTIYA: "The Situation Now Is Different: Why Charles Vanik Today Would Vote for the Abolition of His Amendment"; date not specified; first three paragraphs are interviewer's introduction]

[Text] I will not be mistaken if I say that the name of this man has been well known in our country for at least 16 years. In 1974 he committed the act which became a distinctive landmark in the history of Soviet-American relations, having won its author great popularity in the United States, but having made him the object of sharp criticism in the Soviet Union. Precisely at that time, Charles Vanik, the Democratic congressman from the state of Oregon, together with the now deceased H. Jackson, developed and introduced for consideration of the Congress a legislative amendment prohibiting the granting of most favorite treatment in trade and credits guaranteed by the administration to states which prevent the free emigration of their citizens abroad. Is it worthwhile to state the fact that at that time such an act was first of all directed against the USSR and the other countries of Eastern Europe.

Two weeks ago, he reached the age of 70. During his life he has seen a great deal: He served in army, during the Second World War he fought in the Pacific Ocean, he studied law, and he worked as a judge in his native state. Then for 26 years in succession he was a member of the Congress of the United States. In 1981 he left the Capitol and since that time has been a partner in one of the law firms in Washington.

How does Vanik assess the years he has lived through, how does he see the past events? Have his views changed? How does he regard the realities of today? This was the subject of our discussion in the editorial office of IZVESTIYA, where the now already former congressman was recently, being in Moscow on a state visit.

[Question] Your name, whether you like it or not, has firmly entered into the history of Soviet-American relations, thanks to the—in our country sadly famous—so-called Jackson-Vanik Amendment to the 1974 Law on Trade. This amendment at that time practically torpedoed granting to the USSR most favorite treatment in trade and credits guaranteed by the administration. Now, looking at what has been done at that time and at the subsequent events, do you not experience feelings of regret about this step?

[Answer] No, I have never regretted this. On the contrary, I have always thought, and now I am quite convinced that actions, similar to our amendment, could bring your present perestroika closer. The situation in the Soviet Union in 1974 differed radically from the one that is occurring in your country. The USSR then, without a doubt, was a closed society, and between

Moscow and Washington there reigned an atmosphere of fear, suspicion, and mutual distrust.

I think that any country can try to influence the policy of another, especially if this leads in the final analysis to the creation of a more democratic and freer society. Such attempts, in my view, are entirely acceptable, if they are aimed at changing the situation in some individual spheres of international life, above all such as, let us say, human rights. Let us take the USSR and the United States as examples. I think that our governments are acting completely correctly when they influence each other along the whole spectrum of problems that concern the quality of the life of people. Civil liberties, human rights, public health care, and ecology—here are questions which should concern all civilized countries. If anyone ignores this, it is the duty of the others to do everything to correct such a situation, in so doing utilizing all available legal means, it goes without saying, except military force. The violation of human rights in any part of the planet—this is, without a doubt, a disease, a contagious disease. For this reason it is necessary to treat it in order not to permit the spread to other states.

[Question] And what is the state of this disease today?

[Answer] I repeat, the present situation is absolutely different than it was 16 years ago. During the past year alone, 235 million people left the Soviet Union. At the moment of the introduction of my amendment, I could not dream of this, but today this is a reality. Your society has taken a big step on the road to genuine democracy. In this connection, I have repeatedly turned to the President with the request to repeal the effectiveness of the amendment with respect to the USSR. That position is held now by many senators and congressmen. I hope that, if nothing unforeseen happens between the White House and the Kremlin, President Bush, evidently, can come forward with such an initiative during the forthcoming Soviet-American summit meeting. He will declare the cancellation of the effectiveness of the amendment for a one-year term. Then the Congress, moreover in this case both the Senate and the House of Representatives, will have to express their opinion on this account.

[Question] What, in your view, are the chances of the approval of the amendment by the Congress?

[Answer] I think the legislators will support the appropriate decision of the President. I do not exclude that with respect to this question hot debates may develop, in the course of which quite a few impartial words will certainly be addressed to the Soviet Union. It is my desire that you will treat this correctly and not perceive this as a false signal on the part of the United States. Such debates are traditional in the spirit of American democracy. Don't be surprised, but even today about 20 percent of the legislators on Capitol Hill do not want to have anything in common with your country at all. However, this has not prevented our states from

improving relations during the past few years. I am convinced that such a positive process will continue in the future.

[Question] If you were the president of the United States, what would you tell the members of Congress in sending

them a proposal concerning the repeal of the Jackson-Vanik Amendment for consideration?

[Answer] Without any doubt, I would call on the legislators to vote "for" the proposal.

### 'Reevaluation of Priorities' in Soviet-Czech Cooperation Viewed

90UF0142A Moscow PRAVDA in Russian 5 May 90  
Second Edition p 7

[Article by S. Vtorushin: "Reevaluation of Priorities: Soviet-Czechoslovak Cooperation"]

[Text] The 20th anniversary of the signing of the new Treaty on Friendship, Cooperation, and Mutual Assistance between the Soviet Union and Czechoslovakia is on 6 May. It has helped significantly expand trade-economic relations between our countries. But recently the question of intensifying it is being posed more and more often.

Recently a meeting took place in Prague with journalists and the leadership of the Czechoslovak-Soviet Chamber of Commerce, which played and continues to play a significant role in bilateral economic relations. But this time the subject discussed was not successes achieved but how to make trade-economic ties more effective.

The Czechoslovak economy, which for four decades was oriented largely to the Soviet market, is now undergoing a difficult period—reevaluation of priorities and structural and investment perestrojka. Great effort is being made to expand ties with the West.

The changes have also affected the Czechoslovak-Soviet Chamber of Commerce.

"A joint-stock company is to be created to replace it, and this corporation will help set up bilateral contacts and do market analysis," said Y. Cherny, the chairman of the Chamber. "Trade-economic ties must be transferred from the state level to the level of enterprises."

Last year trade turnover between our countries totaled 12.8 billion rubles. This year it declined by almost 800 million rubles as a result of lower prices for raw materials. But our country continues to be Czechoslovakia's main trade partner. The Soviet Union almost completely satisfies the CSFR's [Czechoslovak Socialist Republic] need for oil, gas, iron ore, and a large number of other raw materials. The Czechoslovak side is interested in preserving these sources of raw materials. Just as it is interested in preserving the Soviet market.

In the lexicon of business people, the words "enterprise and firm" are supplanting the word "ministry" more and more often. And that is no accident. While before all trade-economic relations between our countries were carried on through the Ministry of Foreign Trade, now in Czechoslovakia many rights for foreign trade are delegated to enterprises. They can establish direct ties, set up production cooperation, and sell their output abroad.

Two years ago our economic managers also received that permission. Czechoslovakia began to be flooded with

representatives of Soviet economic organizations. Hundreds of bilateral agreements and protocols of intent were signed. But only a few of them proved to be implemented.

Many, if not the majority of our economic managers, do not have practice in foreign business ties. They do not know even those elementary things such as the need for a compulsory response to a business letter. Here is a typical example. The Czechoslovak foreign trade association Koospol sent an official proposal to Novosibirsk on creating a joint beer and vodka enterprise there which would produce Czech beer for the needs of the city's 1.5 million inhabitants and Soviet vodka for Czechoslovakia.

The proposal is extremely advantageous, because it is impossible to buy local beer in Novosibirsk, not to mention Czech. In passing I would like to note that world experience affirms that the more beer sold, the lower the demand for vodka. The letter was sent to Novosibirsk at the start of the year, but Prague has not yet received an answer to it.

Since we are speaking of Novosibirsk, I should mention one other incident. In December 1988 a large group of Siberians visited Czechoslovakia and they decided to study the possibilities of setting up a joint venture to produce leather jackets. The point is that about 300,000 sheep are slaughtered every year in Novosibirsk Oblast but practically no hides are processed. But Czechoslovakia has the Kara firm, well-known in many countries, which is involved in processing fur raw materials. At the very first meeting it was decided to set up a joint venture in Novosibirsk Oblast. A great deal of work has been done in the 1.5 years that have passed since that time. Novosibirsk workers have spent a 3-month training period at Kara enterprises. The necessary equipment has arrived in Siberia. Recently the Czechoslovak side sent 10,000 selected hides to Novosibirsk Oblast. The first Siberian leather jacket will be sewn this month. The joint venture has practically begun to operate. But up to now it has not been registered with the USSR Ministry of Finances.

Recently it has become even more difficult to set up bilateral business contacts. The reason is the licensing of goods introduced by the Sovietside. Essentially it returned the monopoly of the Ministry of Foreign Economic Relations on our foreign trade, which had begun to be destroyed, to its hands. In the opinion of many specialists, this monopoly has even become stronger now and in many cases does considerable damage to the cause. Here is just one example.

Last year the chairman of the Rossiya Kolkhoz in Rylskiy Rayon in Kursk Oblast, Stanislav Krasovitskiy, and the director of the Praga-Zapad State Farm, P. Koshi, signed an agreement on joint cultivation of grain and goat crops. They decided to exchange seeds. The successes of the Czechoslovak farmers are well known. Local strains of wheat provide 70 and more quintals of grain per hectare, although the soil fertility is only 12 percent of our chernozem soils. So the Kursk chairman

decided to start cultivating the Czechoslovak strain there. And in exchange to send buckwheat seeds to Czechoslovakia. It has never been raised there, but now interest is being shown in it.

The Czechoslovak side fulfilled the conditions of the agreement correctly. Seeds of high-yield strains of winter wheat were sent to Kursk Oblast. At the Rossiya Sovkhoz 140 hectares were planted with it. The seedlings overwintered well. Even now one can say that this year an excellent harvest will be gotten on this field. But the Kursk chairman did not manage to settle accounts for the seeds. He knocked on all kinds of doors in Moscow trying to get permission to export the buckwheat, but he did not manage to do so.

The procedures established by our MVES [Ministry of Foreign Economic Relations] hurt many plans of Soviet enterprises and organizations. I know several cases where our kolkhoz chairmen and sovkhoz directors in fact already agreed to buy local breeds of breeder pigs in Czechoslovakia which would allow them to produce a minimum of 1.5 times as much meat using the same feed. But the MVES managed to insure that now you need to get a license to import pigs. When they found out about it, the chairmen immediately abandoned their undertakings as unrealizable.

It seems that in present conditions one department is simply not able to keep all foreign economic ties, among them those such as the exchange of two bags of seeds, under their control. Some of its powers must be transferred to the local organ of power. For such a system existed 2 years ago. It was that system which allowed our economic managers to establish the first genuine business contacts with Western partners. And in order to avoid the losses which are natural when there is not enough experience, extensive instruction in the basics of international trade must be begun for those who have decided to join the foreign market.

Trade-economic relations between the Soviet Union and Czechoslovakia require fundamental perestroika. We must more extensively move from agreements on the governmental level to direct cooperation of enterprises and free admittance of their goods to the markets of both countries. This will permit the structure of commodity exchange to be changed and will open new horizons for our trade-economic interrelations.

### **Czechoslovak Political Situation, Election Campaigns Viewed**

90UF0132A Moscow *RABOCHAYA TRIBUNA*  
in Russian 28, 29 Apr 90

[Article from Prague by Anatoliy Shapovalov: "The Blossoms and Thunderstorms of the Spring Revolution"]

[28 Apr 90 p 3]

#### **[Text]1. Division in the Preelection Struggle**

Enlivened by a bright lacework of blossoming gardens and parks, April Prague, as at no other time of the year,

is especially beautiful. And, as writer D. Granin, who spent some time here recently, observed, it is happy and festive. In general, the continuing "velvet" revolution really has not yet disturbed the country's established material stability, which, per se, is worthy of attention—the result of wisely thought-out, careful, and rational management by all postwar generations of Czechs and Slovaks, including, and let us not shrink from its assertion—the communists.

Tourists, above all our Soviet tourists, upon entering a store—be it a grocery store or any other kind—are noticeably rattled, as if offended, by the shelves' varietal abundance.

To the person who lives here—let it even be temporarily—not just the idyll is apparent. Life is more difficult: On the surface, it seems that everything is peaceful and stable, but a certain pressure, a tension is sensed as well; for some there is joy, and for others—stresses, dejection, tragedies, and tears. Nevertheless, it would be stretching a point to say that covert civil strife reigns in the country. However, there is no doubt at all that a sharp clash is going on: The way to national accord is being paved, even if under the velvet drapery of blossoming gardens, but by paths filled with thorns.

The preelection campaign officially opened on 28 April, but political passions have been boiling for a long time now.

In my opinion, the leading political movement, "Citizen's Forum," which has not been unaffected by the euphoric sweetness of power, is now beginning to taste a certain bitterness: All is not going well and being brought about as was written on the "velvet" revolution banners and proclaimed by its leaders. Forum did not earn power, but just picked it up when dropped, declared (perhaps not too diplomatically) the well-known political scientist Z. Mlynarzh, one of "Prague Spring's" chief leaders, on the pages of the independent newspaper *LIDOVY NOVINY*. One should behave more seriously now, and not get carried away by, for example, how to dress the Prague Guard destined for important ceremonies. So much is lacking in the hospitals today, writes I. Khanakh, who was considered a dissident in the normalization years, but it was suddenly decided in the (Grada) [not further identified], not begrudging the 100,000 marks for the purpose, to buy 20 West German BMW motorcycles for a new ceremonial.

However, that, among other things, is how it is.

I have been trying for 3 months now to get, from the most diverse individuals, beginning with the Minister of Foreign Trade and ending with well-known economists, lucid clarification of the following: What sort of economy did the new government inherit from the communists anyway? All are evasive, talk at length but rather hazily, and allude to pernicious Stalinist methods, etc. This vagueness, it seems to me, can be explained by the communists' having left a very good economy as

legacy, which is borne out by the following fact comparison. At the end of last year, it was trumpeted here that the economy was in crisis condition; in January, that things were not bad overall; and, in February, American and Canadian experts reached the conclusion that the Czechoslovak economy not only is one of the most stable in Eastern Europe, but also has great potential for further development.

In the area of criticism, even Vaclav Havel, Czechoslovakia's president, speaking at (Staromest) Square, said that consciousness is the best weapon, notes the weekly magazine RESPEKT. However, the shaping of the new consciousness in no way depends upon the honor guard's new appearance or a well-executed state emblem....

Obviously, the point does not lie just in the guard's dress uniforms, the motorcycles, and the emblem. Something, it seems, has cooled in the society itself. And how was it not to cool, when, in presenting the preelection platform, Ya. Urban, a member of the "Citizen's Forum" coordination center, announced, unexpectedly for many, that it is impossible to switch to a market economy overnight. In the present situation, it would be an irresponsible act to promise that there will not be unemployment and inflation.

True, political observers advise us not to attribute particular significance to such critical statements: They are rather like valves for letting off steam. However, the increasing division of forces, the fact that some of the parties are moving out from under its "roof," and either preparing to enter the elections independently, or hastily forming coalitions, blocs, and unions, certainly occasions no delight for "Citizen's Forum." On the other hand, however, even such self-weakening indulgence apparently should not be ruled out: Let a People's, a Social Democratic, and a Socialist Party, and even the Communist Party of Czechoslovakia [KPCh] and the "Restoration" Movement wheel and deal, they say. Democracy and pluralism have been proclaimed in Czechoslovakia, you know. The leadership of "Citizen's Forum," though having become weaker since a number of its leading figures (V. Havel, I. Distbir, and P. Pitgart) left the movement and took high state and government posts, is sure, nevertheless, of both itself and the campaign's outcome—victory in the elections. It feels that those persons whom Forum proposes or endorses are certain to be elected to the parliament. In short, the leaders consider the campaign that has begun a fait accompli. Other things, as observers point out, now interest them most of all.

First, the formation of an enterprising and competent government without the frictions that are now appearing between the moderate V. Komarek and the radicals V. Dlougi and V. Klaus.

Second, "Citizen's Forum" is perfectly aware that, in addition to itself, there exists the KPCh. This is its main prudently acting political opponent. As the results of a

routine public opinion poll attest, the communists' reputation has grown during the last 1 and ½ to 2 months, while confidence in "Citizen's Forum," on the contrary, has diminished.

The opposition of these two "locomotives," that want to rush in the same direction, is essentially the crux of the current political struggle.

There has hardly been a day that the KPCh has not been scapegoated and attempts have not been made to hurt it in some way. Here are some samples. "Democracy teaches us to be fair, even to the communists, among others," writes the newspaper VECHERNI PRAGA, "but this does not mean forgetting that precisely they led us to disaster. And, today, it is impossible to avoid the impression that the essence of their current program is the wrecking of the 'velvet' revolution." It is essential that the communist party, guilty of introducing totalitarian power, be called to account, pointed out V. Svoboda, first deputy chairperson of the Czechoslovak People's Party, on the pages of the newspaper LIDOVA DEMOKRATSIYE.

The so-called "Circular No 2," ostensibly addressed to KPCh members, also gave rise to much discussion. You must have faith, it says, that the present period is transitory, and that we shall be in power again in any event. Join the ranks of "Citizen's Forum" and increase the mistakes being made by "democracy." Await our instructions.

The communist party firmly disavowed this phony document, having viewed it as a gross provocation.

"Do you believe this 'circular'?" a correspondent of the newspaper RUDE PRAVO asked Ya. Rushlinkova, a "Citizen's Forum" press agent. "If you were to do that sort of thing," she replied, "it would really be stupid. However, I do not think you are doing it." "But, you know, the circular's text is being printed in some of 'Forum's' publications," remarked the correspondent. "We have freedom of the press, and you can defend yourself..." was the response.

[29 Apr 90 p 3]

#### [Text] 2. To Be a Communist Is To Be With the People

A recent plenum of the KPCh Central Committee stressed that "Citizen's Forum" and the mass information media have now mounted a no-holds-barred anti-communist campaign. The persecution of communists continues; communists are being driven from the positions they hold, and they and their families are being threatened, which has nothing in common with either democracy or pluralism. The attacks on the KPCh—these are an effort to remove a great many people from politics on the eve of the elections, and to eliminate the left elements in Czechoslovak society.

The demand for confiscation of our party's property actually reflects the thesis concerning all KPCh members' collective guilt, declared V. Mogorita, first secretary of the KPCh Central Committee, speaking at the Federal Assembly. In the KPCh membership, 70 percent are those who joined the party after 1972 and are not connected with either the excesses after February 1948 or the normalization period after 1968. Except for duties, these people had nothing. In the second place, the Central Committee cannot resolve the issue concerning the party's property; this is the task of a congress, inasmuch as the property belongs to all KPCh members. In the third place, the KPCh is a legally registered party. It is actively participating in the change process, and is represented in the National Accord Government. The attempts to take away its property—these are a limitation and infringement on its rights, and a threat to its legal status and, consequently, to the whole democratic process in Czechoslovakia. In addition, they give evidence that our partners ("Forum" and its parties) want to get rid of an influential political rival.

There is no peace in the outlying areas either. In addition to psychological terror, other, far from civilized methods of persecuting communists are being undertaken as well. For example, Lenka Klukhova, KPCh rayon committee member and rural party organization secretary—a courageous and outspoken person—is known throughout Lyatomerzhitskiy Rayon. She can assert, for example, that neither "Citizen's Forum" nor anybody else is concerned about the children and pensioners in the villages today, and the party organization has included care for these as a most important task in its preelection platform precisely for this reason. Klukhova was repeatedly warned: You talk a lot, and today—silence is golden.

The warnings were not idle: A month ago, somebody cut her (Skoda) automobile's brake fluid lines. And, quite recently, a female KPCh aktiv member was badly beaten, a vicious sneak attack having been made on her....

The violent and discriminatory methods with respect to communists and their entire party shock even representatives of the West. I. Pelikan, a former director of Czechoslovak Television and now a Europarlament Deputy, most insistently proclaims the need for moderation. The democratic system, he recently declared, cannot do without the contemporary communist party, regardless of whether it is in opposition or in the government. There is no parliamentary democracy in the world, in which the communist party would be banned.

So what about the party itself, as it now exists; what is it doing, and what are its chances? Accepting its place in a pluralistic system and operating on new principles are difficult and, at times, dilemmatic for the KPCh, but the party is revitalizing itself nevertheless. Above all, the recently concluded rayon party conferences, organized as an important stage in consolidating and regrouping its forces, confirm this. In the first phase, the conferences

proceeded under calmer circumstances than the December ones—the extraordinary conferences. This certainly does not mean that there were no polemics or criticism. The main thing is that there was less of the "crying" about the past and the unsound inclinations to be wholly devoted to opposition at all costs.

The second phase was characterized by the businesslike discussion of urgent problems and the adoption of constructive instruments—the preelection platform first of all. This phase clearly showed that the KPCh is functional, despite the increasing attacks. Internally and organizationally restructuring itself, and subordinating its activity to the forthcoming elections and the working people's needs and interests, it is reestablishing the confidence it had lost in public opinion. The conference participants unequivocally supported institution of the Communist Party of Czechia and Moravia, as well as the desire of many communists to retain its former name—the KPCh.

The party conferences took a clear-cut position regarding discrimination against the party and communists and the forthcoming privatization of the economy, and on other circumstances that are creating a threat to the workers' social gains.

The delegates to the party conferences showed a lively interest in communist clubs—a new structure in the party. As is well-known, the party organizations' activity at enterprises is dying down, but people sharing similar views do not want to lose the contact between themselves and the opportunity to exchange opinions, including those concerning emergent problems—in short, they want to be politically active. Clubs for metallurgists, energy specialists [energetiki], machine builders, and members of other vocations have been formed by place of residence in many rayons of the capital. People have gathered in them, who are knowledgeable and competent, and can skillfully analyze the essence of any draft legislation and preelection platforms and prepare proposals for communist deputies. So far, experience is still being acquired, but it is already clear that these clubs can become an effective component of the party structures.

Despite all obstacles and shortcomings, noted KPCh Chairman L. Adamets, speaking at the Prague and Ostrava Rayon party conferences, the process of revitalizing the party is gaining strength. We must convince people, by practical actions and specific proposals, that we have a serious attitude toward the new politics, and are avoiding past mistakes and representations that we know everything and can do everything. The KPCh's goal is to follow a path, not of confrontation, but of maximum constructiveness.

The KPCh, L. Adamets continued, supports economic reform and transition to market mechanisms regulated by the state. However, all of these changes should be brought about prudently, bearing the workers' social interests in mind. It is essential to counter the threat of



inflation and unemployment's unleashing and the sellout of national property. Working people must have guarantees and prospects.

In entering the preelection campaign, said the KPCh Chairman, we are proceeding on the basis that the working person, even in a market economy and under a parliamentary system, will need a left party that can defend his or her rights and interests. We will strive to convince as many voters as possible that the reborn KPCh is prepared to perform this role by democratic means.

Over Prague, over Czechia, Moravia, and Slovakia, the spring thunderstorms rumble and lightning flashes on the horizon, as if presaging what the country will have to undergo in the next few weeks. And, in the first place, these are not simple parliamentary elections that will, perhaps, transform opposition into true pluralism and cooperation for the good of the people or, something that cannot be ruled out either, divide the society even more sharply. In any event, however, they will more clearly define the future of Czechoslovakia—our closest neighbor.

### USSR Trade Representative on Soviet-Cuban Ties

90UF0124A Moscow LATINSKAYA AMERIKA  
in Russian No 4, Apr 90 pp 69-73

[Interview with P.I. Kormilitsin, USSR trade representative in Cuba, by unnamed LATINSKAYA AMERIKA correspondent, date and place not specified: "How to Interest Soviet Enterprises in Cooperation with Cuba?"; first paragraph is source introduction]

[Text] Our correspondent in Havana met with P.I. Kormilitsin, USSR trade representative in the Republic of Cuba. The text of the interview with him is published below.

[Correspondent] Where do you think the significance of the Soviet Union's assistance to Cuba lies?

[Kormilitsin] According to preliminary data, the commodity turnover between our countries reached 8.5 billion rubles in 1989. The USSR accounts for more than 70 percent of Cuba's foreign trade. Cuba is sixth among the Soviet Union's partners, accounting for about 6 percent of our foreign trade. The USSR is the only or the main supplier of a majority of products which are vitally important to Cuba: oil and petroleum products (100 percent of imports), fertilizers (60 percent), rolled ferrous metal products (80 percent), grains (94 percent), trucks and passenger cars (80 percent), lumber (98 percent), etc. In turn, Cuba supplies our country with 80 percent of its exported sugar (cost assessment), more than 40 percent of its citrus fruits and 70 percent of its nickel production.

The construction of more than 600 facilities in Cuba was planned in accordance with various agreements. More than 400 of them have already been put into operation. Electric power plants with a total capacity of 2.2 million kW have been built; 2,000 kilometers of electric power transmission lines with substations have been laid, as have 800 kilometers of railway tracks and more than 1,700 km of cable communication lines. The renovation of 156 sugar mills has been completed. Water reservoirs with a total capacity of more than 5 billion cubic meters have been built. Irrigation systems serving 500,000 hectares have been created. Enterprises built and renovated with USSR technical assistance produce almost all of Cuba's steel and rolled products, sugar cane-harvesting combines, steam boilers, television sets and radios, as well as cotton fabrics (60 percent); nitrogen fertilizers (55 percent), electrical energy (45 percent), metal construction parts, etc.

During the current five-year plan period 191 facilities are to be built and renovated; 30 sugar mills are to be provided with equipment; 29 citrus-packing centers are to be set up; eight educational centers and 16 VUZ's are to be equipped. The plans also call for the development of technical and economic documentation, as well as the execution of planning-research and other preparatory work on another 50 facilities. The largest of them include the Juragua AES, with a capacity of 1,760 megawatts; the

Havana Thermal Electric Power Plant (1,300 megawatts); the nickel plant at Punta-Gorda with a capacity of 30,000 tons of nickel-cobalt output (converted to metal); the Metallurgical Plant imeni Jose Marti; the petroleum refinery at Cienfuegos (6 million tons of petroleum per year). The Soviet Union is participating with other CEMA countries in the construction of a nickel plant with a production capacity of 30,000 tons in Las Camariocas.

[Correspondent] And what significance do Cuban deliveries have for the Soviet Union?

[Kormilitsin] Every third spoonful of sugar in the USSR is Cuban, nearly half of the citrus fruits which we consume also comes from Cuba. The USSR also covers its import needs for nickel-containing output with Cuban supplies.

A few words about the price of Cuban sugar. Remember the statement by N.V. Shmelev, USSR people's deputy, who claims that it greatly exceeds the world market price? Clearly he made calculations based on the official exchange rate and compared the price of deliveries to the USSR (850 rubles, i.e., about \$1,400 dollars for a ton) to the average annual world price—\$211 per ton. But if one takes account of the 100 percent supplement which is being introduced to the current exchange rate between freely convertible currency and the ruble, the price for sugar will be at the level of the preferential prices at which the USA buys this product in a number of Latin American countries.<sup>1</sup>

There is no doubt that it is necessary to develop our own sugar industry, which has not kept up with scientific and technical progress. Sugar-beet farming and the sugar industry need to be re-equipped. But according to calculations by specialists, the production of an additional 4 million tons of sugar in the USSR (equivalent to the volume imported every year from Cuba) would require one million hectares of cultivated land, about eight billion rubles of capital investment and hundreds of thousands of new workers. Thus, as realists, we must not fail to see that the suggestion made in your magazine by USSR People's Deputy Yu.D. Chernichenko (No 9, 1989—Editor) that we give up buying Cuban sugar is simply not possible.

[Correspondent] What can be said about scientific and technical cooperation?

[Kormilitsin] Today Soviet and Cuban organizations are conducting joint scientific-research projects on 61 subjects. The development of atomic power plants, the use of electronics and the comprehensive automation of the economy, the development of new materials and production technologies, biotechnology and environmental protection—this is only a short list of what the scientists of our countries are working on. Undoubtedly this work will become an important factor in Cuba's inclusion in the process of the international socialist division of labor, with maximum consideration, of course, for its potential.

Quite a bit has been done already. However, we are concerned by the degree of economic efficiency in the solutions which are being applied, and especially because the Cuban side does not have statistical data on the results of their utilization.

[Correspondent] What ways do you see to improve the mechanism of bilateral ties?

[Kormilitsin] When he spoke on 26 July of last year in Camaguey at a meeting devoted to the 36th anniversary of the storming of the Moncada barracks, F. Castro stated the following: "Today the situation is such that we cannot even say with confidence that deliveries which the socialist camp has made to Cuba regularly over a period of nearly 30 years will continue with the same promptness. For this reason I do not exclude the possibility that our country will have to work—literally creating miracles—with a lack of freely convertible currency as well as with problems related to deliveries from the socialist countries."

Recently the troubles in Soviet-Cuban trade and economic relations have become clearer and clearer. In his concluding remarks at the 1st Congress of USSR People's Deputies, N.I. Ryzhkov talked about our country's growing shortage of material and financial resources. In addition, the policy which we have adopted of decentralizing foreign economic activity and granting Soviet enterprises the right to enter foreign markets independently is creating a noticeable tension in the entrenched mechanism of bilateral cooperation. After all, the foreign currency rubles (the converted equivalent of Cuban pesos), which are accumulating in the bank accounts of our suppliers cannot be used to purchase anything in the world market or now even in the CEMA countries. Moreover, exports to Cuba require additional expenditures such as special packaging for long-distance transportation or modifications for tropical use (after all, metal corrosion under local conditions is 10-fold greater than the average for this indicator in the USSR). Why should a Soviet enterprise take on such worries if in exchange for its output it will receive in fact the same rubles?

It is not surprising that under the new conditions many of our enterprises consider that cooperation with Cuba is not profitable for themselves. This approach is especially typical of those whose output is in demand on the world market: they include the Minsk Refrigerator Plant, the Kishinevelectronika Association (exporter of washing machines), Soviet producers of motor vehicles, tractors, road building equipment, etc.

[Correspondent] What is the way out of this situation?

[Kormilitsin] The problem may be solved by including deliveries to Cuba in a goszakas (state order). However, in practice this alternative does not inspire optimism among producers, who judge this practice to be a variation on the theme of administrative-command methods of management. There is another alternative which is more complex, but also more effective and that is to find

ways to interest suppliers. The search in this direction has already started. Thus, the USSR Ministry of Foreign Economic Relations [MVES] allotted the Minsk Refrigerator Plant on an experimental basis the sum of one million rubles as funding under the global article of the Protocol Concerning Trade and Payments for 1989 and proposed that the Cuban side deliver to this plant goods for the given sum. Taking into account the results of the experiment, one could consider in the future the question of withdrawing a portion of the centralized Cuban deliveries to the USSR and directing them to the specific enterprises producing output for Cuba.

But the search must be mutual. Meanwhile, the idea of a joint enterprise to produce pectin did not meet with understanding among Cubans. Nor did a proposal by the USSR Ministry of the Maritime Fleet concerning the joint operation in Cuba of an installation to clean ships' hulls receive development. Proposals by Soviet organizations to develop the tourism industry await realization. In short, it is impossible to raise the interest of Soviet enterprises in cooperation unless efforts are made on the other side. They could interest us, for example, in having clothing made in Cuba using Soviet raw materials; Cuban cosmetics and perfumes which incorporate all the aromas and colors of the tropics could be of interest, as could the achievements of local medicine and pharmacology. The application of biotechnology in agriculture is of undoubted interest. We are talking about cattle-disease vaccines obtained from gene engineering, as well as experiments with bacteria which stimulate plant growth and with biological fertilizers to raise the yields of certain agricultural crops.

[Correspondent] What are the immediate prospects for our trade and economic ties?

[Kormilitsin] They are determined by the long-range program for the development of economic and scientific-technical cooperation for the period up to 2000 and the concept for the development of foreign economic ties for the coming 15-20 years.

It is important that new forms and spheres of cooperation be developed along with the traditional ones; for example, expansion of the material base for microbiological synthesis based on complete processing of sugar cane in Cuba is scheduled. Facilities are to be established for the production of such valuable products as furfural, lysine, Vitamin C, sorbitol, and others. The joint study and development of nontraditional, secondary and renewable sources of energy, as well as the construction of oil pipelines, will become an important area in the development of the fuel and energy complex. In ferrous metallurgy the plans calls for powder metallurgy methods to be introduced and the production of refractory materials and hardware to be established. The USSR will provide assistance in the development of polymetallic ore deposits. Cooperation in an area as promising as the manufacture of individual pieces of electronics equipment and control-and-measurement instruments will receive further development.

At the present time intense work is being carried out on the coordination of our state plans for 1991-1995. A new aspect is the more active participation by sector ministries and agencies, production associations and enterprises. Soviet specialists working in Cuba are providing effective assistance in this work. It is essential to make the planning more concrete and to avoid making ill-considered decisions. It is important to note that the mutual responsibility of the parties will increase.

We have definite hopes for the development of direct production ties among related enterprises in accordance with the Soviet-Cuban agreement of 20 May 1988. The results achieved in this promising area are not bad, although difficulties do exist. For example, Soviet enterprises have already received the right to enter the world market freely, while Cuban ones can operate only through foreign trade associations. In other words, the mechanism has not yet taken shape.

The development level of the Cuban economy, and in particular its production potential, create an objective basis for strengthening cooperation links with our enterprises and organizations. The use of Soviet raw materials, patterns and intermediate products by textile, clothing and footwear factories of Cuba with compensation through deliveries to the USSR of finished items and semi-finished items is becoming a daily practice. An agreement on equipment to be manufactured at enterprises of a Cuban base industry for the USSR Ministry of the Petrochemical Industry has become a reality. This process, although not without difficulty, is being intensified with beneficial results for the effectiveness of our cooperation.

#### Footnote

1. From the editor: Obviously this point needs clarification. In the first place, as specialists from USSR MVES reported, the question of a unified supplement, which is designed to replace the cumbersome system of differential currency coefficients, has not been resolved decisively. In the second place, the above-mentioned supplement will be applied in calculations for export operations.

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#### TV Marti Seen as Example of New "Electronic Warfare"

90UF0134A Moscow SOVETSKAYA ROSSIYA  
in Russian 29 Apr 90 First Edition p 5

[Article by Maj Gen V. Belous: "War Without Gunfire; The Mass Media in Present-Day Strategy"]

[Text] In the long-ago year of 1898, one of the uncrowned kings of "yellow" journalism in the United States, "Grandpa Hearst," called his assistants into his office and gave them an unexpected order:

"Make sure we run pictures of the start of the war between the United States and Spain."

"But the war has not even started," his subordinates said in surprise.

"Run the pictures and it will," Hearst replied in no uncertain terms.

And he was right. The forged provocative pictures helped to undermine the fragile peace between Spain, the old colonial sovereign, and the United States, the bourgeois youth who was growing stronger and stronger. This was one of the first experiments in the use of the news media for military purposes.

Since that time psychological warfare has been an organic part of aggressive policy. Unrestricted "brain-washing" was common in Hitler's Germany. Goebbels' agency was not fastidious about the means it used to exert ideological pressure on the population of his own country and to conduct widespread subversive activity among the people of other states. Later these methods were taken over by the overseas organizers of the "radio warfare" against the Soviet Union and the countries of Eastern Europe.

American professor M. Choukas explained the theoretical basis of psychological warfare and revealed its role and significance: "Ideas are often compared to weapons, to bullets or projectiles. Moral ideas, however, are more powerful. A projectile can only be used once, but the idea can be used over and over again, and it can be so dangerous that it is not always possible to predict all of the consequences of its impact."

The events of recent days suggest that we might witness a new round of psychological warfare, involving the use of the colossal technical and informational capabilities of television, the most powerful and effective medium of information (and of disinformation as well). The United States began trial broadcasts to Cuba on the special television channel known as "TV Marti." Aggression is being committed under the banner of "freedom of information." It is obvious, however, that the goals being pursued are the same goals that could not be attained in the Bay of Pigs or during the many years of economic blockade. Against the background of the armed invasion of Grenada, the overthrow of the legal government of Panama with the aid of military force, and the prolonged support of the Nicaraguan contras, "television warfare" looks like a much more appealing option. In the minds of people, war is always associated with gunfire. If there is no gun, there must not be a war. Besides this, we must remember that the United States did not earn political dividends from the armed invasions of Grenada and Panama, and under these conditions it would not be that easy to undertake direct aggression against Cuba.

Like any other weapon, television propaganda will be tested "in the field" for 3 months. At the end of this period, the practicality of the television weapon will be evaluated in line with the "cost-effectiveness" criterion,

and the results will be reported to the President. President Bush will have to use the results of this research as a basis for a decision on the fate of the television station.

For a long time, people in the United States have been planning the use of space transmitters for subversive television broadcasts. In 1982 THE WASHINGTON POST published an article by M. Shrige, "The Specter Haunting Europe—The Specter of International Television." He cited evidence of the tremendous advantages of "television warfare" against the socialist countries.

In the electronic warfare against Cuba, it is probable that priority is being assigned to the perfection of the forms and methods of the psychological offensive and propaganda attack and to the use of the most effective ways of undermining a state with a view to its ethnic, social, religious, and other features. In other words, the tactics and electronic weaponry of 21st-century warfare are being tested.

As one USIA staff member admitted, the new television channel is mainly intended to broadcast information "inaccessible to the population of Cuba." It is easy to guess the slant this information will be given. Even President Bush admitted, when he addressed the owners of radio and television stations on 2 April, that the main purpose of the propaganda offensive is the destabilization of the Cuban Government.

The "electronic warfare" against Cuba has just begun, but we can already learn some lessons from it and make some predictions. The new political thinking, which is gradually making its way into the minds of millions of people, is based primarily on the recognition of the impossibility of solving political problems with the aid of military force in our day. Politicians in most countries realize that nuclear war would mean the end of world civilization and of all life on our planet. A full-scale war using only conventional weapons in, for example, Europe would differ little from a nuclear war, however, in terms of possible consequences. In this kind of war, around 200 nuclear power plants and thousands of large chemical production units, in which many of the intermediate products are virulent poisons, would turn Europe into a lifeless desert. The tragic events in Chernobyl and Bhopal were a grim warning to mankind.

It is true that some theorists have suggested that combat operations with highly accurate weapons can be conducted in such a way that ecologically dangerous targets will remain undamaged.

In response to utopian ideas of this kind, we can only say that the battlefield is not a chessboard on which the rivals adhere strictly to specific rules of play and make classic moves under the scrutiny of impartial judges. Tens and hundreds of thousands of people who are armed with the most diverse weapons and are fighting to the death are not likely to care about the strict observance of gentlemen's agreements and to kill people "by the rules."

War is an essentially irrational phenomenon, and there is no doubt that it will be waged (if it should break out) with extreme ferocity.

Does this mean that war as a continuation of diplomacy, "exchanging the pen for the sword," will soon disappear forever? No matter how much we might want this to happen, it would be wrong to feel too optimistic.

The example of the "electronic warfare" against Cuba, which might break out before our very eyes, proves that the forms, methods, and means of warfare might change, but the ultimate political goals stay the same.

Today the nuclear weapon is already regarded not as an instrument of warfare, but as an instrument of deterrence. This will gradually happen to conventional arms as well: tanks, guns, and aircraft. The battlefield will move gradually into the intellectual sphere, into the sphere of psychological pressure on the minds and emotions of millions of people.

After launching space transmitters into low orbits, an aggressor-country can develop and, under certain conditions, play out the scenarios of television warfare against any state in an attempt to undermine it from within. These broadcasts will be calculated to address not the minds of people, but primarily their emotions and feelings, which is much easier to do, especially when the population lacks political sophistication, is poorly informed, and is unprepared for this kind of warfare. Carefully measured doses of ideologically processed, provocative material, the skillful alternation of true ("good-faith" credit) and false information, and carefully assembled montages of the details of various explosive situations can be transformed by experts into a powerful instrument of psychological warfare. It could be particularly effective in a country experiencing socio-economic friction, inter-ethnic or religious conflicts, and class antagonism. When carefully selected information reaches an atmosphere as receptive as this, it can quickly destabilize the country and give rise to mass turmoil, panic, pogroms, and other types of antisocial behavior.

The Latin American countries have condemned the information aggression against Cuba. They realize that this weapon could also be aimed at them if necessary. The Soviet Government's silence on the issue of "television warfare" is confusing. Are we having trouble calling a spade a spade, or are we waiting to see what happens next? One thing is clear—friends in trouble should not be abandoned.

The mass media, especially television, are a powerful weapon, capable of simultaneously influencing the thinking and behavior of millions of people, and in this respect their capabilities are beyond compare. It is no coincidence that when the Ceausescu regime was overthrown in Bucharest, the fiercest battles broke out near the television center. There are also some examples closer to home. For the purpose of molding public opinion in Lithuania, the leaders of "Sayudis" pushed an unconstitutional law through the republic Supreme

Soviet so that they could abolish the Lithuanian SSR State Committee and take complete control of television and radio broadcasting.

After analyzing the present situation in the country, we can only wonder whether we are always fully aware of the decisive role of the mass media, especially television, in the development of the social consciousness. Can we deny that government agencies have lost control of them in some cases? The country has embarked on the road of revolutionary reform, and it has been far from painless. In an atmosphere of openness, glasnost, and a plurality of opinions, media personnel must make a special effort to keep their remarks and judgments impartial, they have to be intelligent and objective, and, finally, they must be farsighted. We cannot forget this.

### Continued Sandinist Influence in Nicaragua, Latin America Foreseen

90UF0117A Moscow SOVETSKAYA ROSSIYA  
in Russian 20 Apr 90 p 5

[Interview by V. Khovratovich with V.V. Volskiy, corresponding member of the USSR Academy of Sciences and director of the Institute of Latin America, date and place not specified: "The Transfer of Power: Nicaragua A Week Before the Change of Cabinets"; first paragraph is source introduction] [txt][Text]Power is to be handed over in Nicaragua on 25 April. This would seem to be quite an ordinary event. A new government replaces the previous one. But why then have the words "sensation" and "surprise" become the theme of world press reports on the domestic situation in this country and about the reaction of the external world to the recent elections? Was the victory of Violeta Chamorro, the leader of the opposition alliance, truly unexpected? V.V. Volskiy, corresponding member of the USSR Academy of Sciences and director of the Institute of Latin America, agreed to answer these and other questions.

[Khovratovich] Viktor Vatslavovich (Volskiy), the editorial board has received quite a few letters from readers interested first of all in our country's reaction to the results of the recent elections in Nicaragua. "After all, for 10 years we helped the Sandinists," they write, "and now it turns out that what we did was in vain?"

[Volskiy] In the first place, even in our extremely pragmatic age we must not forget the simple human rule: who will help you if you do not want to help anybody else? This humanistic principle must remain central.

In the second place, the fate of a country is difficult to predict. And especially so if we are talking about the third world. After all, everyone was sure that Daniel Ortega would win. And there were reasons for that. During the 10-year rule of the Sandinist National Liberation Front (SNLF) the attempts to restore the Somoza regime never stopped. The war was going on. The Front inflicted a number of substantial defeats against the contras. The latest such victory was sustained right before the elections. But it was the Sandinists who first

understood the hopelessness of military confrontation. On the one hand, the contras, despite sensitive defeats, again and again replenished their ranks—the Americans granted them sufficient aid. On the other, the Sandinist army became truly a people's army since people understood that they were defending their own liberty and social justice. Of course, our support, too, help the Sandinists a great deal.

The elections were not a defeat for Sandinism. The movement was and remains a real, major force: 40 percent of the vote is more than enough to support that claim. And that is given the fact that the opposition, which had mobilized all of its forces, forced the elections. Former U.S. president J. Carter was in the country literally day and night. The opposition was allotted millions of dollars—the American administration was making a real effort. The church also supported V. Chamorro.

[Khovratovich] Can one somehow predict the actions of V. Chamorro's "team?" She will not erase everything valuable, which was won with such difficulty by her predecessors in the course of those 10 years?

[Volskiy] Let us start with the fact that for personal reasons Dona Violeta may not be simply a pawn in the hands of the United States. The name of her husband, who died at the hands of Somoza supporters, was at one time a Sandinist symbol. Immediately after her election as president, she stated that the contra detachments would be disbanded while the Sandinist army would remain the constitutional one. Also, I think that the new government will not erase all the gains made by the republic since the overthrow of the dictatorship because it does not want to go down in history as either the destroyer of the Nicaraguans' constitutional guarantees nor as the merchant of the country's freedom and independence.

And then, how can one reject the Sandinists' declared policy of national reconciliation? It was the revolutionary government which was searching for and finding ways to diffuse the smouldering conflict peacefully. At the initiative of the SNLF the country retained a mixed economy as well as a multi-party system, the anti-Somoza people's tribunals were disbanded, and the Indian tribes were declared autonomous.

During the election the opposition's main slogan was: "From revolution to the peaceful evolution of Nicaragua!" However, it should not be forgotten that this slogan became possible only because of the democratic rule of the Sandinists.

[Khovratovich] And did the revolution under the Sandino flag influence the neighboring Latin American countries?

[Volskiy] I am absolutely certain that it did. Sandinism truly brought a great deal to Latin America. The ten-year rule of the revolutionary government forced Washington to make an extensive review of its policy with regard to

the countries south of the Rio Grande. In fact, what did its support of the contras, which lasted for many years, yield for the White House? Only, as they say, a bad case of nerves. The Washington administration understood that it was impossible for the forces of the armed opposition to defeat the Sandinists. And this understanding came as a result of the tenacity, equanimity and common sense of the Sandinists.

After the 1979 revolution the USA obviously began to lose control over Central America. Examples?

Above all the independent, effective and confident actions of the presidents from five states—Guatemala, Honduras, Costa Rica, Nicaragua and El Salvador, which have their own plan for settling the conflicts in the region. Honduras demanded the complete withdrawal from its territory of both contra detachments and American armed forces.

Or let us take Panama. After the intervention the Americans openly planted their "own" (as they thought) president. But a month or so passed and President Endara, possibly feeling that it was not very comfortable sitting on bayonets, demanded and received from the USA payment of compensation amounting to \$580 million; then he demanded the withdrawal of the American incursion troops and finally, in what was the most unpleasant surprise for Washington, he confirmed the validity of the Panama Canal treaty between Torrijos and Carter, the observance of which General Noriega had insisted on. This means that by 1999 the canal should become the property of Panama.

[V. Khovratovich] Would you not say that something similar is taking place in Chile?

[Volskiy] Undoubtedly. Events in Chile have confirmed the fact that the spirit of freedom cannot be stuffed into a bottle somewhere and closed with an imperial cork and sealing wax.

While the opposition in Nicaragua triumphed largely due to the extremely difficult economic situation in the country, the same cannot be said about today's Chile. Since capital is flourishing there, economically this country is perhaps the most "successful" in all of Latin America. This has been achieved, it is true, at the price of the impoverishment of ordinary Chileans. But despite this kind of "success" Pinochet was literally routed in last year's referendum and in the recent elections. It is clear that even the short presidency of Salvadore Allende has not been forgotten.

[Khovratovich] Although the degree of United States domination and control over this region is declining and its countries are clearly moving toward sovereignty, it is essential to recognize the fact that Washington still has not lost the capacity to influence in a practical way all of Latin America. The economy of many states in the region is oriented toward the dollar as the only unit of measurement of any value. For example, Panama does not have any monetary system of its own at all. I recall

that I tried to find a local coin, the Balboa, for a numismatist friend. But the bank simply did not have any. In order not to upset my friend I had to turn to collectors.

As for forceful methods of influence, the Panamanian incursion has shown that the White House still does not intend to give them up.

[Khovratovich] And what kind of help did we give to Nicaragua?

[Volskiy] The USSR helped the legitimate government. And this aid, by the way, was much less than what the Americans gave the contras. The latter received appropriations from Congress; money from behind-the-scenes deals (it is enough to recall the Iran-Contra affair); subsidies through CIA channels; and resources from deals which the contras made with private individuals and which were hidden even from official Washington.

It should not be thought that our help was only a political weapon of that time.

To be specific, we did not help them with currency. We gave them oil, food, consumer goods, arms and ammunition. Moreover, the weapons were only defensive.

[Khovratovich] After she was elected president, V. Chamorro said: "I want relations between the USSR and Nicaragua to be excellent, to be the way they were before." And what do you think about the future of our relations?

[Volskiy] This year the aid treaty between the Soviet Union and Nicaragua expires. Given the new situation and the fact that the new government receives currency and credits from the USA, the question of shifting our economic relations onto a commercial footing of mutual benefit can now be raised. All this depends on V. Chamorro's cabinet. Our position is not to interfere in internal affairs and to adhere to the normal principles of international relations. I hope that the Americans will also stick to these same positions. But there has already been an example of bilateral responsibility. I am talking about the time when E. Shevardnadze and J. Baker reassured each other in turn that both sides would recognize any results of the election.

[Khovratovich] You said that Sandinism was and remains a major political force. But how will this movement conduct itself after the transfer of power on 25 April?

[Volskiy] There are ups and down in any process. I think that an election defeat with 40 percent of the vote constitutes a temporary set back. And although the real power, that is the army, is still under the influence of the Sandinists, they have stated that they intend to fight for political power by political methods. H. Ortega, who has offered himself to the new government as minister of armed forces, has provided reassurance that even if he

does not enter the new cabinet, the army will obey only the constitution. Most worthy behavior on the part of present revolutionaries.

### Venezuela's Economic Problems May Cause Social Conflict

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in Russian No 2, Feb 90 [signed to press 17 Jan 90]  
pp 20-31

[Article by A.A. Sukhostat: "Venezuela: The Barometer Points to a Storm"]

[Text] The latest election campaign in Venezuela ended in December 1988 with a convincing victory for one of the leaders of the Social-Democratic Party called Democratic Action (AD), Carlos Andres Perez or, as they call him in the local press, simply CAP. He played brilliantly on the nostalgic recollections by a majority of the population of his first term in office (1974-1979) with the "fatted petrodollar calves." Quite a bit of time has passed since the noisy and tiring election spectacle, but in some places there are still enormous, half-peeled away posters with pictures of CAP and the oblique campaign slogan "Venezuela has won. To work!"

In the heat of the election campaign CAP stated that when he became president he would go "much further than simple reforms": he would carry out "perestroyka" in the Venezuelan manner. At the same time he never tired of emphasizing that all strata of society, and especially the rich, must take upon themselves their share of the sacrifices.

#### "In the Long Run We will Be Dead"

In the opinion of Miguel Angel Canprilez, a major publisher, it is possible that the coming to power of Perez will bring the country a short-term boom. "He has many friends among the social democrats who rule in the wealthiest states of Europe. For example, Felipe Gonzalez. Spain's reserves amount to nearly \$40 billion. What would it cost him to lend \$1 billion to Carlos Andres?...With friends like that he will obtain billions of dollars, which for a time will ease Venezuela's situation.<sup>1</sup> Concerning the not-so-near future, Caprilez recalled Lord Keynes's reply to a student's question about why all the formulae which he proposed were of a short-term nature: "In the long run we will be dead."

The well-known Venezuelan economist D.F. Masa Savala, as if picking up the conversation started by Caprilez, stated in an interview with the author of these lines that by using credits and reserves the government can improve the situation; specifically, it can balance the budget. However, this kind of improvement will be temporary; the structural problems will remain.

And indeed, when Perez came to power, he confronted a very difficult economic situation characterized by a large budget deficit, in addition to a sharply increased foreign

debt. The volume of the GNP per capita fell continuously between 1978 and 1985, despite an increase in income from petroleum exports. In 1985 this indicator was 25 percent below that achieved in 1977 and 15 percent lower than in 1973. In 1986-1987 the reduction was overcome to a certain degree; nonetheless, the balance of payments in 1986 came out to a deficit of \$1.5 billion and in 1987 to \$1.1 billion. In 1988 the proportion of the GNP unrelated to petroleum increased by 3.1 percent, but at the same time the passive portion of the balance of payments amounting to \$3 billion (4.5 percent of the GNP) grew sharply.<sup>2</sup> Based on 1989 results, it is expected that the gap will be reduced to \$2 billion. The government proposes to cover it now and in the future through an influx of "fresh money" or a reduction in the payments toward the foreign debt principal and interest.

The deficit in the balance of payments arose primarily from three factors: growing expenditures to service the foreign debt (in 1988 they amounted to \$4.5 billion, which was 56.6 percent of income from the sale of petroleum); reduction in export income and significant price increases for manufactured goods being brought into the country. The following also had an effect: climbing domestic indebtedness and disarray in state sector expenditures. To this should be added inflation, which in 1988 reached 40 percent, and the negative influence of a high (up to 13 percent) international bank discount rate, which resulted in an outflow of capital.

In 1989 inflation continued to grow. A month after Perez had taken over the presidency, the prices for basic foodstuffs increased by much more than 100 percent, not to mention clothing and footwear, housing and transportation, medicine and education, tariffs and services. Thus the president, who at one time had thrown out the incautious phrase: "If inflation reaches 80 percent, I will leave the country," could, as the Venezuelan press chuckled, pack his bags.

By the beginning of 1989, according to data from the Fund-Center for Study of the Growth and Development of the Venezuelan Population, 80 percent of the country's residents were below the line of "critical and extreme poverty." The center's report states: "The middle class, if you can consider it as such, represents only a narrow stratum encompassing a total of 14.1 percent of the population or 384,233 families whose situation varies from the abundance of a few to the poverty of the majority." The so-called higher circle includes 5.48 percent of families but only 1.02 percent of them live in fabulous luxury. According to information obtained by the author from CUTV (Single Workers Federation of Venezuela), out of 5 million economically-active people nearly 1.5 million are fully or partly unemployed; 44 percent of Venezuelans do not get enough to eat and nearly the same percentage are illiterate.

Nonetheless, as Masa Savala thinks, "the country's main problem today is not unemployment, partial or full, but



rather the difficult, ever worsening situation of a significant portion of the population, especially the middle strata, which emerged on the wave of the "oil and industrial boom" in the last quarter of a century and which became the foundation of the existing representative democracy. They, as before, would like more or less decent housing, one or two cars, as well as the chance to educate their children in a private school, to use the services of a doctor who makes house calls or a private hospital, to make an annual trip abroad, etc. And now it turns out that many of them can no longer afford this; they are suffering financial failure. Social welfare programs for blue- and white-collar workers are proving to be an ever greater fiction. Medical services and education are ceasing to be free. Everything is taking place according to that classical principle: the poor get poorer and the rich get richer. If things continue this way the country will soon enter a period of sharp social upheaval."

The ruling circles, and above all the president himself, think that the way out lies in eliminating the disproportions which have arisen in the economy and which threaten the bases of the existing system. CAP's main opponent, E. Fernandez, general secretary of the Social Christian Party COPEI (Committee of Independent Political Electoral Organization), has said: "It is not impossible that with time, when business life picks up, there will be an improvement." The chairman of the central government's Office of Coordination and Planning (CORDIPLAN), M. Rodriguez, has expressed himself even more ambiguously: "In 1989 one should not expect economic growth, it will be a year of adjustment in the economy, of eliminating its disproportions."<sup>3</sup> The well-informed magazine, *THE ECONOMIST*, is also inclined to a similar conclusion: "Everyone agrees that 1989 will be a difficult year for Venezuela. Will C.A. Perez have the resolve to resort to previously-untried economic measures which are difficult but extremely essential? He must take them if he wants the World Bank to grant credits (the first since 1974); in this way he can avoid the need to appeal to the more tight-fisted International Monetary Fund for help."<sup>4</sup>

*THE ECONOMIST* knew what it was writing, with one exception: CAP's economic advisers advised him to appeal to the IMF. As a result, a "package" of measures was worked out through joint efforts; it called for the introduction of a single floating exchange rate linked to the rate of inflation in the interest rate, the increase of prices and tariffs in the state sector, the elimination of price controls in the private sector, the transfer to the private sector of 600 enterprises, the tightening of the tax policy, etc. For its part the IMF, after extensive negotiations, pledged to grant over a period of three years credit amounting to \$5 billion dollars plus \$720 million as a guarantee for the implementation of a program of interest payments on the debt.

In the opinion of eminent economists, the measures adopted are not capable of curing the disease but only of ameliorating its course, for the pressure of the foreign

debt in the next five years "will become heavier" by at least \$12 billion. IMF experts have suggested that the market for capital is in a position to regulate interest rates. However, they are not taking into account the degree of monopolization in the local financial sector. The Central Bank of Venezuela, together with the other major banks—the Provincial, the Commercial, the Venezuela, the Union, and the Latino banks, immediately took regulation into their own "hands," which in the end led to more expensive credit, which then became inaccessible to many entrepreneurs, especially the owners of small and medium-sized businesses.

The IMF experts have set the following as among the prime conditions for the recovery of the economy: the reduction of state interference in business life, the curtailment of protectionist practices and the encouragement of foreign-capital activity. The only thing which, according to the apt comments of CANTACLARO, the ideological organ of the CPV (Communist Party of Venezuela) Central Committee, was not part of the "package" of demands was the liberalization of manpower hiring and the introduction of an adjustment factor to bring workers' wages in line with price rises. Even if the government went for a 50 percent increase in wages, CANTACLARO notes, it would only "fix" the actual level of the population's critical poverty.

The CPV's concern about the potentially explosive social situation in the country is shared by practically everyone you meet in Venezuela. For example, the chairman of the Movement for Socialism (MAS), Pompeo Marquez, expressed the opinion that the relative stability which distinguishes Venezuela from the other Latin American states is a thing of the past; the country has entered a period characterized by social upheavals, a period requiring a new political approach from independently-thinking circles, an approach which is responsible and productive. This was seconded by A. Gonzalez Urdanet, party secretary of the People's Electoral Movement (MEP): "Our analysis does not exclude a social storm—a protracted period of conflicts and disorders. Some of them clearly may get out of control and lead to violence and repression." E. Fernandez, COPEI general secretary, also points to the seriousness of the situation. And the measures which are being applied, can, in his opinion, only make it worse.

#### The "Package" Has Exploded!

Practically all the Venezuelan newspapers came out on 28 February 1989 with this or a similar headline and carried stories about disorders and spontaneous protest demonstrations against the price increases announced the night before. The street uprisings, which engulfed Caracas and 16 other cities of the republic, lasted several days and were the most serious disturbances since the popular uprising of 23 January 1958, when the military dictatorship of Perez Jimenez was overthrown.

"General Serro," as they collectively call the "city dwellers" in Caracas who live in iron huts perched on the hills

("serro") which overhang the comfortable regions of the capital, came down and set fire to cars and busses; one could hear the sound of breaking glass from shop windows and street lights. The number of deaths, according to data from military sources, came to 246. Some agencies reported up to 3,000 dead; however, the last "actual" corpse put into a plastic bag had the number 625. "This took place not in Chile, not in Paraguay and not in Haiti," wrote TRIBUNA POPULAR. "This took place here, in Venezuela, which prides itself on being a democracy."<sup>5</sup> Such was the explosive wave of the economic "package" adopted under pressure from the IMF and the local financial clans.

Perez confirmed that despite the protests and casualties, he would not reject the measures adopted because he considered them the "lesser evil" when compared to any of the other alternatives. However, he added, without a new approach to the resolution of the foreign debt problem they would not yield the expected results. In a letter to the president of the IMF, in response to the latter's assertion that the organization which he heads was not implicated in the bloody disorders in Venezuela, the head of the government noted that the disorders had taken place immediately after the announcement of price increases for food products and services which were been adopted under IMF pressure. These measures deepened the already desperate situation of the people, who were not responsible for the mistakes of their rulers. The president referred to the existence of unfair economic relations, of which the IMF was the personification, and emphasized that the recommendations which it works out do not take account of either the foreign or domestic situation of the countries where they are to be applied. It is the same as prescribing medicine for a patient without considering the characteristics of his body or his resistance. It is extremely unfair, wrote Perez, to link the granting of credits to a reduction in the living standard of the broad masses.<sup>6</sup>

The president's reaction to the street disorders which, on the one hand were harshly suppressed, and, on the other, were called a statement by the poor against the rich, not against the government, as well as his loud salvos addressed to the IMF and his simultaneous adherence to the policy jointly set out, aroused sharp criticism from practically all opposition circles and even some entrepreneurs. Everyone found in CAP's position some target for his own "arrow." The Federation of Chambers and Associations of Commerce and Industry (FEDECAMARAS), while approving in general the actions of the president, came down on him for setting the rich against the poor, "which upsets the balance and harmony so necessary for the social peace and accord which are being advocated."<sup>7</sup> And Perez, in turn, leaving no critical statement unanswered, said that he was not at all proud that the country had rich people. He was more saddened by the fact that it had poor people, and that the gap which divided one group from the other was widening. The distribution of wealth, he wrote, is becoming increasingly unfair, and it was this that caused the people

to protest in late February. In the opinion of Perez, responsibility for the situation rests with certain political parties and individual leaders, as well as with the economic groups which defend the existing privileges and which continue to operate as if nothing had happened.<sup>8</sup>

How can one help but recall the judgement of the president's personality made by Masa Svala! He wrote that the current president is a more modern and decisive statesman than his predecessors but only in declarations and on the podium. In practice, however, at the moment of negotiation or in other situations he has to come to grips with his powerful patrons and advisers, who are representatives of economic factions and banks. Thus there is an enormous distance between the president's words and deeds.

The duplicitous and contradictory nature of the government's policy was reflected at a conference of governors called by Perez to review the "package" of economic measures. The leaders of the Confederation of Venezuelan Workers (CTV) demanded changes be made to benefit the poor strata, as well as the retirement of Pedro Tinoco, president of the Central Bank of Venezuela (BCV), whom they call the "father" of these measures. The vice-president of the BCV, V. Rodriguez Asnar, accused the right-wing AD of mounting a poor defense of the "package" and challenged the government to be more decisive in its realization. This statement testified to the emergence of friction in the relations among the AD, the executive power and the bank magnates. A majority of governors emphasized that the main reason for the disturbances lay in the shortage of many items, poor operations within the service sphere and the increased cost of living.<sup>9</sup>

The opposition circles were practically unanimous in their evaluation of the February events as well as of the economic steps which provoked them. The former president of the Social Christian Party, R. Caldera, stated that "the display window of Venezuelan democracy was smashed to smithereens by the hungry from the poor areas."<sup>10</sup> EL NACIONAL, a newspaper which enjoys the greatest popularity among liberally-inclined circles, wrote: "To a significant degree this chaos was provoked for it was revealed that we are incapable of fairly distributing not only wealth when it is available in abundance but also burdens when they cannot be avoided."<sup>11</sup> The governments of the two-party system (AD and COPEI) and FEDECAMARAS, "which refuse to satisfy the demand of the working masses to bring wages into line with price increases," bear the responsibility for this."<sup>12</sup>

The measures taken were so severe, while the reluctance to soften them was so obvious that even J.J. Delpino, the CTV chairman, exclaimed: President Perez has turned his back on the workers! When MAS leader Teodoro Petkoff spoke on television, he went even further, stating that CAP "has turned his back on everything that made up the philosophy of his entire life. For the last 10 years, when he was not in power, he spoke the language of a

forward-looking social democrat... And suddenly he has shifted to the twaddle of the technocrats' postmodernist neoliberalism."<sup>13</sup>

At a specially called congress of the CTV, Perez tried to diffuse the situation by calling for reason and emphasizing the unavailability and advisability of the measures which had been taken. On the eve of 1 May he shifted to a counterattack, announcing several new benefits (in addition to a 30 percent increase in wages) for workers: the introduction of food coupons with a value of \$13.50 to \$40.50 for 600,000 families from the poorest strata of the population, as well vouchers for transportation and meals with a value of \$8.00 for low-ranking civil servants. He also promised to establish 170,000 jobs for white-collar workers and to return to the CTV the Venezuelan Workers Bank, which was established during his first term in office, and which was subsequently requisitioned. With regard to the main demand—to increase wages by 50 percent and to ensure that they are adjusted in accordance with price increases—the formula remained as before, diffuse and not mandatory: increases to the extent possible. Perez repeated that the improvement in the social conditions of the workers' lives depends on the "package" which was adopted. The president's appearance at the First of May demonstration, which took place against a background of slogans protesting the government's economic policy, provided the occasion for D. Fernandez, the main rival of Perez in the 1988 elections, to sneer that CAP had opened up a new form of opposition to himself.

The president's efforts to lessen the social tension did not yield results: on 18 May more than 6 million Venezuelans responded to the call of CTV and other trade union organizations, including CUTV, to hold a 12-hour strike to protest against the "economic package," and against an outburst of speculation and the continuation of foreign debt payments. This was the first general strike in Venezuela's history, and it brought together practically all white- and blue-collar workers, despite the opposition of the authorities and entrepreneurs. Perez reacted to the strike in his usual manner, stating that a whole working day had been lost in vain. The economic course, he emphasized, would be firmly adhered to, for stopping payment on the debt could prompt retaliatory measures, affecting above all the sale of petroleum, which provides 90 percent of the country's foreign currency.

The opinion of J.J. Delpino, the CTV chairman who rose to the level of national leader in one day, was unambiguous: "Before taking any economic measures it is necessary to consult with the trade unions rather than with entrepreneurs. If the government does not make changes in the "package" which has been adopted, it will be necessary to strike again."<sup>14</sup> On 19 May an AFP (Agence France-Presse) correspondent H. Marquez reported from Caracas that "the demonstration of force has enabled the CTV to seize the initiative and to show its ability to bring the country to a halt; it has also revealed the genuine class conflict between the trade unions, on

the one hand, and the entrepreneurs and the government, on the other." It could not be put more accurately!

In this atmosphere much will depend on the initiative displayed by the leftist forces in their actions and on their ability to remain above narrow-group or ideological interests, to find a common language with the trade unions and to act jointly. While in Venezuela, I heard many harsh judgements of the leftist movement, and of individual components of its forces. But even the pessimists see light at the end of a long tunnel. There exists a definite inclination on the part of a majority of leftist organizations—both the recently formed ones and those which have long histories, especially the CPV—to correct the situation, to face the difficult problems of today and to find forms of struggle which are adequate for them. I heard expressed the opinion that is necessary to look in an unprejudiced way at the experience of MAS, rather than hurrying to follow certain bourgeois well-wishers in calling it the "third leg" of a two-party system. It is time to stop underestimating the increased influence of this party within the most diverse strata of the population, including the military.

#### Venezuela in the Year 2001

Venezuela's future, its immediate as well as more long-range prospects, is one of the most popular subjects in the country. There is even a newspaper which comes out under the title of 2001. In 1988 a book with a similar title appeared; it is a collection of social-democratic calculations and predictions on practically all aspects of development. On the eve of the February events the minister of foreign affairs, E. Tejera Paris, who received the author of these lines, cited the president of one Latin American country who continued to be bothered by the "nagging question" of why such a difficult situation had developed in his homeland. "In our country, as is well known," the minister continued with pride, "we have no acts of violence and the most diverse political factions co-exist peacefully..." "February" tore such assertions asunder.

"Undoubtedly Venezuela will enter the 21st century with a foreign debt problem which not only will not diminish but will grow even worse: after all, every one of the plans being worked out calls for more loans and credit," says F.D. Masa Savala. "The economy will continue to be orientated toward the export of raw materials. True, we will begin to export a bit more aluminum, cast iron, steel and petrochemical products. The population will increase to 26-27 million persons. In order to achieve the 1978 standard of living, the rate of economic growth must come to seven percent a year. That will hardly be possible. Thus the contrasts, if a storm does not break out, will become even more noticeable."

Some of those I talked with noted that much will depend on whether Perez, after swallowing the "February pill," succeeds in healing the economy through the imposition of unpopular measures. In this connection they cited the U.S. and English experience, which has yielded positive

socio-economic results despite strong initial protests. In the opinion of J.V. Rangel, "the political reforms which Perez will undoubtedly carry out may open the way to economic reforms, i.e. to a redistribution, perhaps limited but nonetheless a redistribution of wealth; true, this is talked about very vaguely." E. Fernandez thinks that "economic progress does not necessarily entail a more just distribution of wealth and opportunity—that will become reality only if there is a combination of economic measures and a well thought out social policy."

These commentaries lead one to a reflection which is supported by conditions in Venezuela: while considering the leftist forces' formulation of the question concerning the radical transformation of the existing system to be correct in principle, one should nevertheless understand by this not the total breakdown of existing institutions but rather the abolition of some of them and the improvement of others, including the democratic tenets incorporated into the existing constitution. It is essential to take into account that this constitution is, as E. Tejera Paris emphasized, "a remarkable document, one which was adopted unanimously 28 years ago by all of the then-existing political forces."

In this regard it is difficult to agree with those who understand the expected "period of social upheavals" only as a series of spontaneous uprisings, which at a certain moment, given a favorable confluence of circumstances, will flow into a single stream of social revolution. In our view, substantial efforts will be made to find an alternative on which there can be a compromise. Especially because in this area Venezuela possesses incomparably broader opportunities than the majority of Latin American countries.

The present Venezuelan situation is contradictory and complex. It contains much that is national and specific but it also has quite a bit in common with that of other states, including socialist ones. While declaring non-interference in the internal affairs of other countries, Venezuela as led by the AD has supported Washington's desire to Latin Americanize the conflict with Panama's General Noriega and has even taken part in a conspiracy against him, according to Panamanian sources. In the person of its leader it has slowed down the struggle against the "debt strangle hold," having agreed in principle to the "Brady Plan," which solves nothing. At the same time the new administration proceeded to invite F. Castro to its inauguration, and it has fully restored relations with Cuba. Venezuela has become virtually a full member of the Non-aligned Movement, and it is taking an active part in settling the Central American conflict with its support of the Esquipulas process.

Interest in our perestroika runs very high in Venezuela. E. Tejera Paris said that he considers perestroika and glasnost the most outstanding events in recent world

politics. "...We are confident that the Soviet Union will resolve all the problems" he said.

Venezuelans think highly of the USSR's foreign policy initiatives; moreover, this is done without any reservations and frequently to spite the USA. "From the viewpoint of the struggle for peace and disarmament perestroika has met with practically unanimous support: from left-wingers to right-wingers, from workers and members of parliament to government officials and entrepreneurs," said A. Ojeda Olaechea. "The congress adopted a special greeting in connection with the meeting between Reagan and Gorbachev in Moscow. Other aspects of perestroika are also being received positively on the whole, although it is true that everyone interprets them in his own way. The Communist Party has deep faith in the changes taking place in the USSR, for it understands the causes behind them...Within the ranks of the CPV there are no opponents of perestroika nor critics of it. There is only a natural concern for its favorable outcome and a possible lack of understanding about certain questions, which is based partly on inadequate information."

According to D.F. Masa Savala, "the economic reform being carried out in the USSR may lead to success, not, however, in the near future, but in the more distant future because it requires as a mandatory condition changes in people's psychology and consciousness. It is no accident that you are paying a great deal of attention to this aspect. It is important to return to genuinely Marxist-Leninist roots, for socialism consists of a transition to a more open and free society, which has been able to overcome the oppression of need and come closer to the true reign of consciousness."

Some of his friends consider the MAS chairman P. Marquez a person who has anticipated perestroika. When we touched on this subject he said with a smile: "Indeed there are people who suggest that we anticipated many discussions which are being carried out today in the Soviet Union. We follow carefully everything that is taking place today in your country, and naturally we wish you success, for the building of socialism is our common cause. After reading M.S. Gorbachev's book about perestroika, many things have become clearer to us. More and more we are convinced that you are troubled by the same doubts that we are and that you are conducting a search which affects all humanity and that includes us, the Venezuelans."

It would seem that the heightened interest in our process is not accidental: Venezuelans see in it much of their own. Obviously that is the way it is when one is on the threshold of profound changes; other people's experience is no less necessary than one's own intention to carry out those changes. After all, Venezuela, in the graphic expression of J.V. Rangel, is now living through a very important stage, in which the dawn is beginning to break, slowly perhaps but steadily; a feeling of one's own dignity and historical responsibility is awakening.

## Footnotes

1. ELITE, Caracas, 28 Jun 1988.
2. EL DIARIO DE CARACAS, 19 Jan 1989.
3. EL NACIONAL, Caracas, 19 Jan 1989.
4. THE ECONOMIST, London, 7 Jan 1989.
5. TRIBUNA POPULAR, 10-16 Mar 1989.
6. GRANMA, 6 Mar 1989.
7. GRANMA, 9 Mar 1989.
8. TRABAJADORES, La Habana, 10 Mar 1989.
9. GRANMA, 16 Apr 1989.
10. TRIBUNA POPULAR, 17-23 Mar 1989.
11. EI NACIONAL, 3 Mar 1989.
12. EI NACIONAL, 2 Mar 1989.
13. SINTESIS CABLEGRAFICA, La Habana, 3 May 1989.
14. SINTESIS CABLEGRAFICA, 19 May 1989.

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### Lessons of Japanese WWII Economic Recovery for USSR

90UF0144A Moscow IZVESTIYA in Russian 8 May 90  
Morning Edition p 2

[Article by S. Agafonov: "K. Hasegawa: At First It Seemed To Be a Catastrophe—The Japanese Economist Shares the Experience of Reform in His Country"]

[Text] IZVESTIYA readers should remember the name of the major Japanese political expert and economist Keitaro Hasegawa—he has appeared on our pages and within the framework of roundtables and "solo." As a rule his opinions are quite sharply and bluntly put, but even so the reasoning is convincing and the logic of the arguments provides rich food for thought. After seeing him last time, I became curious about Hasegawa-San's opinion regarding the present condition of our economy and offered a number of "standard questions" on prospects, methods, and the like. But the result of the conversation was surprisingly not an interview but an entire monologue on that subject.

"I will begin with one, as it seems to me, fundamental feature—despite all its difficulties, the Soviet economy in the 1990s has the chance to enter an orbit of stable development. But only if all efforts are focused on the struggle against inflation, whose constantly growing curve makes the buyer suffer more than the seller. The point is not suffering, incidentally; inflation creates extremely profitable conditions for the seller (the manufacturer of the product) because the buyer-consumer tries to spend constantly depreciating money as fast as possible using any means by acquiring goods regardless of their quality, technical merits, reliability, design, and so on and so forth. It is no longer necessary to work on improving articles in order to sell them successfully—they will be 'taken' as is, the most 'unmarketable batches' will be sold out, and the enterprise will not have any losses. In light of this, inflation, if it is not fought against, will reproduce itself, prices will creep up, and real wages and the population's well-being will go down, while the economy will begin to break down. This has been proven in practice many times—in conditions of international competition states with strong inflation quickly lose their competitiveness and fall into the category of unsuccessful powers.

"As for the Soviet economy directly, overcoming its present crisis will not be easy, since one of the main agents of inflation, a financial deficit, remains in force. I am afraid of being a poor prophet, but in the next 2 or 3 years the crisis situation will continue in the Soviet economy, and speaking of a final solution to it will be possible only after about 10 years; but, I repeat, only if the deficit and its inflationary 'satellite' are successfully dealt with.

"These estimates are not out of the blue. Japan survived a similar economic 'indisposition' right after World War II and underwent many deprivations and tests without

which, alas, 'recovery' is not possible. First of all politically financed subsidies and financial aid to all enterprises and sectors must be abandoned, since this policy only 'swells' the deficit by creating a 'breeding ground' for its growth. In Japan, for example, in 1949 during the period of occupation the American economic adviser Dodge sent by the U. S. government forced us to eliminate all subsidies from the state to companies and firms and with the stroke of a pen put practically all Japanese enterprises into an extreme situation, on the verge of bankruptcy. At first that seemed a catastrophe, but it was precisely because of this sharp jolt that Japanese entrepreneurs, deprived of financial 'crutches,' were forced to mobilize all internal resources and rely only on themselves and on their own efforts. That was a critically important step with which the path to today's prosperity of the Japanese economy began.

"I see in this case a direct parallel with the Soviet economy. If you are not able to skillfully and without any hesitation eliminate all subsidies without exception, you will never manage to open a new path to large-scale economic reconstruction of the whole economy. If the present condition is preserved, where enormous capital is allocated to subsidize the production of consumer goods, among them agricultural products, foodstuffs, and the like, you cannot count on success in the battle against inflation. Abolishing all subsidies and freeing the sale prices of all goods from state control is the only way to conduct a policy of liberalization which will balance the market and regulate prices in accordance with the level of supply and demand. As a result enterprises which produce a poor product will disappear from the market by natural selection and the economy will breathe freely. It is foolish to deceive yourselves in this case—if this 'abcess' is not lanced, stable economic development is impossible.

"Incidentally, since we have begun the comparison, we should speak of other difficulties existing in your economy today which are sometimes familiar to us too. One of the most serious, in my opinion, is that in your country the right to manage enterprises is in the hands of people appointed by the state using administrative methods. Because of this they are responsible to the state but not in the least to their own system. Essentially a similar principle operated in the Japanese case during the past war. This principle collapsed right after the Japanese government annulled the policy of subsidies, which had whipped up the growth in the deficit and inflation. It could not be otherwise, since in this "freestyle competition" only the entrepreneur who was more flexible, more energetic, shrewder, and more loyal to his enterprise and his cause survived. In that sense there is a gap of a whole 45 years between our countries, and a firm political solution is needed to overcome it.

"Now I would like to say a few words about the rise in prices and unemployment which represent inevitable concomitants of the innovations under examination. According to Japanese experience, in my country the government's blunt rejection of the practice of subsidies

did not cause prices for all types of goods and services to rise astronomically. In many respects this was related to the fact that the state did not have the right of ownership of an enterprise but private persons did and the entrepreneurs did everything possible to avoid bankruptcy. There is a direct link with prices here—with a free market better quality goods with refined technical features received priority and chances of selling poor products slipped to nil. To put it briefly, this whipped up unprecedentedly keen competition among enterprises and the result was greater productivity, lower production costs, and better quality in the struggle for consumer demand. And on the whole stable prices rather than prices in the clouds.

“As for workers and hired personnel, the new conditions demanded not only diligent and painstaking work from them, but also the constant aspiration to improve production, master new technologies, and increase skills. Essentially, skills became a kind of ‘insurance’ for people in case of life’s problems. I will explain what I have in mind: although at one time we experienced a wave of bankruptcies and many workers were cast out onto the street, the gradual stabilization of the economic situation revived market conditions and created new jobs and the unemployed were again included in economic activity. It was above all the diligent and hard-working skilled specialists who were the first to again find a ‘place in the sun.’ In this way those who did not work on themselves and did not improve their habits doomed themselves to long-time want and a difficult life. The situation itself, as we see, facilitated growth in the occupational self-consciousness of workers and made them energetic in production.

“In this sense, in my opinion, Japan can be a good example for the Soviet Union. Compared with your country, Japan is smaller in territory and population and poorer in natural resources, but it managed to attain today’s prosperity thanks to the enormous sacrifices endured by its people and thanks to intensive work. People in the Soviet Union are pretty much unaware of the difficulties we underwent to achieve success. I can say with confidence that only consistent advancement, constant effort, and accumulation of the positive can be the pledge of economic prosperity.”

That is how things are. Instead of an afterword I will note only that Mr. Hasegawa is coming to the USSR not as a “free rifleman,” but as the head of an extremely interesting and, perhaps, unprecedented mission—a “composite” delegation of Japanese companies and firms which make up the “backbone” of the colossal local stock and securities market, which many people in the know call the basis of the entire Japanese economic might. The itinerary, as far as I know, is not for tourists but strictly for business, and that is doubly intriguing if one takes into account the presently deplorable state of Soviet finances and our lack of a stock and securities market as such. I will permit myself the modest conclusion that such a solid team would simply never have knowingly come on a “pointless” tour.

### Chinese New Economic Policies, Reforms Discussed

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No 17, 20-26 Apr 90 pp 12-13

[Article by Sergey Morozov under the rubric “Reporting for the Readers of ZA RUBEZHOM”: “Can One See All of China at Once?”]

[Text] Is it possible to take in all of China at a glance right off? It turns out it is. I understood how in Shenzhen, in the very south of China where it is only 40 or 45 minutes to Hong Kong by highway or sea. We, a delegation of Soviet journalists, had been invited to see the exposition park called “Beautiful China.” All the historical structures, natural landscapes, and types of settlements of the various nationalities of the country most well-known in China and abroad are reproduced in miniature in this exposition, which was built just 2 years ago on a 30-hectare plot of land. In all there are 74 such displays. They are one-tenth or one one-hundredth actual size, but ancient courts, monasteries, pagodas, mosques, figures of people and animals from funeral ensembles or wedding ceremonies of ancient Chinese emperors, houses, waterfalls, mountains, lakes, gardens, and even a section of the Great Wall of China are reproduced with complete accuracy.

What is it—a commercial enterprise or a museum? Both. The company which was formed to build and operate “Beautiful China,” with the joint participation of local authorities and a Hong Kong tourist firm, as in many cases of enterprise in Shenzhen, was relying on commercial success and obviously did not miscalculate. The park admitted its first visitors in September 1989 and on the eve of the day in March when we visited “Beautiful China,” they had already recorded 1,750,000 visitors. And that was with high-priced tickets—15 yuan\* \*(After its devaluation in December 1989 the exchange rate for the Chinese yuan was 4.7 yuan to a dollar.) for Chinese (20 yuan on holidays) and 60 yuan for foreigners and foreign Chinese (80 yuan at the height of the tourist season). And the four restaurants of the most famous national cuisines in the country and the commercial street copied from a street of the ancient Chinese city of Suzhou with its abundance of souvenirs and various crafts and handicrafts, built on the territory of “Beautiful China,” lure the tourist from abroad and any visitor to spend money on a remembrance of an unusual visit.

And people walk and drive here, especially Chinese from Hong Kong and Macao and now from Taiwan and from foreign countries, where there are large communities of “huaqiao,” or Chinese emigrants. For they want to revive in their hearts (or familiarize their children and grandchildren with) the image of their enormous homeland and its various corners. That is how the feeling and love and attachment for their native land, for their large and small home regions, which is so characteristic and pronounced among Chinese is supported. I must confess that I liked the exposition “Beautiful China” very much. And the very idea of it seemed worthy of imitation.

### Shenzhen—Symbol and Child of the Policy of External Openness

But the most important thing in Shenzhen is not tourist expositions and hotels, even though hotels here are modern and also make up an inseparable part of the architectural landscape and the service system of this new city. The most important thing, nonetheless, is that it embodies the economic strategy of China's external openness course which was proclaimed slightly more than 10 years ago and gave birth to special economic zones (SEZ), among them Shenzhen—the first SEZ in terms of significance, a city with a population of 1 million people, which arose on the site of a remote provincial town of 2 square kilometers in which 6,000 or 7,000 residents lived. Today Shenzhen spreads over a territory 30 times that size.

The deputy mayor of Shenzhen Qin Wenzun, who met with the Soviet journalists, illustrated the dynamism of the development of his city.

"The export earnings of Shenzhen totaled 2 billion dollars in 1989 and the value of gross industrial production exceeded 16 billion yuan, which is a 200-fold increase over 10 years," he said. "In terms of growth rate we have overtaken many capitalist countries, although we still lag behind the so-called four dragons—Singapore, Hong Kong, Taiwan, and South Korea."

The Shenzhen SEZ poses for itself the task of surpassing a level of industrial production of 50 billion yuan and an export volume of 10 billion dollars by the year 2000.

But how and why did it become possible so rapidly and undoubtedly successfully to realize the policy of open economic regions which the Chinese leadership, despite foreign policy difficulties and problems which arose after military force was used against the demonstrators in Tiananmen Square in June of last year, intends not only not to restrain but indeed, on the contrary, to boost in every way possible? The Shenzhen experience shows what China is basing this policy upon.

The first is sources of financing. In the words of Qin Wenzun, 18.1 billion yuan have been invested in Shenzhen's development in the last 10 years. Of that sum only 350 million yuan (1.9 percent of the capital received) was obtained through central financing. That is virtually a complete break with the traditional methods of management which have demanded major state capital investment in carrying out large projects. But where is the capital from? Outside investments amount to 10.6 billion yuan: 7.1 billion (40 percent of the total amount of capital invested) is money which the Shenzhen authorities managed to attract directly from Hong Kong and 3.5 billion yuan (20 percent)—from other countries; another 3.5 billion yuan (20 percent) is bank credits; the last source—approximately 18 percent of all the capital—is capital investments of various cities and provinces of China which find it profitable to make money on the advantages of a special economic zone.

Side by side with the four initially created SEZ's, the Chinese leadership adopted a decision to transfer an entire new province, the province of the southern peninsula of Hainan, to the status of open economic region, and added 14 cities, including some in internal provinces, to the list of open cities by creating "zones of economic and technical development" in them. In all these places preferential laws and conditions for attracting and operating foreign capital, technology, and know-how are in operation. In all the policy of external openness has extended to regions where 200 million people, about 20 percent of China's population, live. For now the orientation is to export potential and specialization, although some of the output even now goes for domestic consumption.

The second fundamental question is paths of development of open zones. The course to set them up meant establishing these regions as leaders in the country's overall economic and social progress. That includes lavish possibilities for rapid construction of the infrastructure facilities essential to the industrial and transport development of these regions—road networks and other transport systems, means of communication, energy supply, industrial buildings, hotels, housing for foreign specialists, engineers, and Chinese workers (although there are a considerable number of difficulties with the housing question, said the deputy mayor of Shenzhen), banking institutions, and the like.

With the enormous market of cheap labor, it is not difficult to select and bring to the SEZ (access there is strictly limited by a special pass system) the necessary number of construction workers, as well as those who will work at joint and foreign enterprises.

Issues of training and retraining of workers and white collar workers for the new production facilities are being resolved skillfully and in short periods of time; and the necessary specialists and consultants from among the Chinese emigrants and from foreign firms are recruited from abroad. The scenario of actions on all these issues is in many respects imbued with the example of the accelerated creation of zones of export production facilities in the new industrial countries which neighbor China, the aforementioned "four dragons" and certain ASEAN [Association of Southeast Asian Nations] countries which have moved forward rapidly in recent years.

It is easy to notice that the conditions, degree, and rate of economic progress in coastal regions first opened for foreign ties and in internal regions which have not yet approached the advantages of this policy differ quite substantially. China has deliberately done that. An open policy, our hosts emphasized, is beneficial to the economy of the entire country and the strategy of its development in the PRC [People's Republic of China]—from the coastal regions to the internal ones—has its fruits.



Of course, not everyone in the country recognized that immediately and there were opponents; but now understanding of the advantages of an open policy has increased. But even so, the people we talked with emphasized, another extreme is appearing in the approach to the open policy and reforms—the desire to develop them “on the basis of not socialist but capitalist methods of economic activity.” In China people see this second “extreme” as one of the manifestations of the so-called “bourgeois liberalization” whose threat was demonstrated, as was repeated many times to us, by the political disturbances in the spring and summer of 1989.

However, controlled recruitment of foreign capital remains China's firm strategic course, and it is calculated here that by the late 1990s the volume of direct foreign investments will exceed 40 billions dollars as compared with the presently invested 15.5 billion dollars. This is to be achieved by further improving the investment climate for foreign capital. While American firms are now second in volume (after Hong Kong), in the 1990s they believe that Japanese firms will surpass American ones.

In these plans a special role is given to Hong Kong, which by an agreement between the PRC and England should come under China's control in 1997, so that the present social and economic order will be preserved for 50 more years.

There are extensive plans for developing foreign economic ties, as we learned, in virtually all open regions. In response to a question from a journalist colleague from APN [Novosti Press Agency] on the prospects of international cooperation of Shanghai, China's largest city with a population of 12.5 million, deputy mayor of Shanghai Liu Zhenyuan answered:

“There are now 720 joint enterprises in our city and we have set up a special association which combines their directors and managers. We want to recover for Shanghai the role of one of the major financial and industrial centers of the Far East, as it was 40-50 years ago.”

#### Reforms Are Always Difficult

The achievements of the policy of domestic economic reforms which was proclaimed at the plenum of the Chinese CP Central Committee in December 1978 have proved to be very weighty ones. In 10 years gross national product and national income have doubled; the average annual industrial growth rate was the highest in the world in this decade. China reached a production figure for grain and food crops (converted to grain) of 400 million tons a year, and that made it possible to solve a problem which has existed for a long time both in the feudal and semicolonial periods—how to feed the population.

It is easy to see the face of these changes in the people's everyday life. You can see it in the expanded choice of industrial goods, in the diversity of vegetables, fruit, meat, and fish being sold at markets and in stores, in the

multitude of tiny restaurants, eating houses, and simply street “feeding points”—state, cooperative, and private, where a person can have something to eat with ease. Prices naturally differ and each person chooses what he can afford. The diet of a simple Chinese is for the most part vegetable and he maintains himself on vegetables, flour products, a cup of rice, and vegetable oils; the consumption of expensive meat (7-9 yuan for a kilogram of pork—the most widespread type of meat in China) and fish is limited. For those who work at enterprises and institutions and for students lunch in their own public dining hall at a preferential price remains a fundamental help.

But the appearance of, for example, the kilometers-long market in one of the regions of the old streets of Guangzhou, the center of Guangdong Province, which is close to the sea and stands on the large Zhujiang River, is apt, I think, to amaze not only a visiting Soviet who is used to a, to put it mildly, modest choice of foodstuffs. There are so many river and ocean fish and all kinds of amphibians that one does not know all their names, and there are plenty of other meats—for the Guangdong cuisine has animals and birds which not every European will care to taste (snake is to our mind still only a relatively acceptable exotic product).

There is just the same kind of free and extensive choice of televisions, tape recorders, and other appliances and electronic goods (you have never seen just such irons or pocket calculators, for example!). And now Chinese economists and manufacturers are concerned not about a shortage of goods but the decline noted recently in their sale, especially durable goods. And people do not want to buy poor quality items, which in the past used to be sold without difficulty. But prices are comparatively high and a Chinese is compelled to put away money for quite a time for the purchase, for example, of a color television whose cost is several thousand yuan (the prices were reduced quite recently in order to eliminate the surplus). Nonetheless, a television today has become an inherent indicator of the greater prosperity of a Chinese's everyday life: along with a refrigerator and a washing machine, the premiere of the PRC State Council Li Peng noted in talking with us, it is part of the obligatory assortment of the “three big things” which each Chinese family strives to obtain. Television in China already has a 700-million member audience.

The average monthly wage throughout the country, as we were told, is 120 yuan in the cities, but the spread is quite large. In Shenzhen, for example, the average wage is 400 yuan and in Beijing—200 yuan. And costs for food differ accordingly too: in the words of the Chinese we talked with, in Beijing food costs approximately 50 yuan a month per person, in southern enterprising and well-earning Guangzhou—100 yuan, and in Shenzhen it is even costlier—150 yuan.

But let us return to the more general results of the economic reforms in the country. This issue is the object of extensive analysis, and it was also discussed at the

session of the All-Chinese Meeting of People's Representatives (AMPR) which opened in the second half of March, right during the days our delegation was in the PRC.

"We are satisfied with the course of reform," said Gao Shangquan, economic scientist and deputy chairman of the PRC State Council Committee for Reform of the Economic System, who is well-known in China, in talking with the Soviet journalists in Beijing. "But there are difficulties and problems. We have now begun to more deeply understand the economic processes in the country."

The success of the reform in the countryside, the revival of the market, the growth in the population's purchasing power, and the expansion of the independence of enterprises all also resulted in an "overheating" of the economy: a sharp expansion of the scale of capital construction given the decline in its effectiveness, a substantial increase in demand and prices for raw materials, electricity, and fuel oil, a need for bank credits, uncontrolled increase in imports, and a boom in consumer demand on the whole. Inflation and retail prices began to rise and social stratification began to get stronger; in short, an assortment of socioeconomic phenomena arose which directly and painfully affected the life and mindset of broad strata of the people.

Since the second half of 1988, the Chinese leadership has taken measures to strengthen the center's control over the economy. In addition to intensifying reforms, they decided to follow a 3-year plan to "normalize and put in order" the economy.

Political demonstrations in a number of cities of China in the spring and summer of 1989, regarded by the country's leadership as "riots" and "counterrevolutionary revolts," led to the conclusion that the primary task was maintaining state and social stability, which, as is emphasized, is closely tied to social policy and "stable and harmonious" development of the national economy. The measures adopted on economic regulation, helping to resolve or ease a number of problems which had arisen during the reforms and above all to stop the growth in prices and other manifestations of inflation, at the same time generated a decline in consumer demand, the closing of a number of unprofitable enterprises, and greater unemployment, especially in rural areas. The solution is seen in the center's to a certain degree strengthening planning and economic levers of regulation of the scale of production and the quality of items, budget revenue, financial-credit policy, and the social aspects of reforms. Today people talk noticeably more cautiously about price reform and the prospect of moving to purely market regulators than they did 2-3 years ago. The main thing, they believe, is to preserve political stability and not cause tension.

As for reforms of a political nature, caution and restraint especially appear here. From last year's events the unambiguous conclusion was drawn that the party leadership

must be strengthened, the "four basic principles" (the socialist path, democratic dictatorship of the people, the leading role of the Chinese Communist Party, and Marxism-Leninism and the ideas of Mao Ze Dong) must be unfailingly observed in ideological-political work, and the entire population and especially young people must be indoctrinated in this spirit. In order to realize this demand in practice emphasis is focused on indoctrination based on positive experience and examples and propaganda of the life path of "exemplary people" of the 1960s-1970s—the military man Lei Fen and the worker Wang Jinxi, who were distinguished by selflessness in work, modesty and unpretentiousness in daily life, and readiness to give up and sacrifice personal things and even their lives in order to "serve the people" and help others. Today's successors to their traditions, whom the press writes about, show their worth in those affairs and in their attitude toward their work where a moral position also proves to be paramount: a barber serves only customers from the most needy strata of the population; an employee of a tourist firm, in addition to his direct duties as expeditor, assumes the role of driver without charge, and the like. In journalism standards of the ideological purity of positions have been raised and the statements and actions of those workers and organs of the press which "heated up passions" in the spring and summer of last year by demanding accelerated political democratization and "undermined stability" are criticized.

In general, the urgency and complexity of the problem of combining economic and political reforms were demonstrated in their own way in the China of recent years just as in our country. For today Chinese experience comes down to the priority of changes of an economic and social nature with careful regulation of the political process through refinement of the existing forms, methods, and institutions. Higher standards of personal moral make-up and style of work of cadre workers of the party and state apparatus have perhaps become the orientation of work in the political sphere which has most appreciably gathered strength. Phenomena of corruption, use of one's job position for personal purposes, official bureaucratism, and isolation from the people are being sharply criticized and exposed in the press. Examples of "incorruptible management" and personal modesty of cadre workers are being extolled.

#### "Mountains of People, a Sea of People"

"Ren shan, ren hai" is a well-known literary saying in the Chinese language which literally means "mountains of people, a sea of people"—an image of an endless human sea, countless multitudes of people. In China one can often physically feel the real force of this metaphor on the street, in a crowd. When we talked with different people about their country's problems, it involuntarily came to mind that in China any imprudent step by the authorities, any economic innovation which has not been fully thought out or carefully realized can immediately acutely stir up the boundless human sea and affect the destinies of millions of people.

The deputy mayor of Guangzhou Liu Nianzu cited this example of the sensitivity of the social sphere in China's conditions. The decline in activism in connection with regulation in the economy, the decline in the scale of construction, and the closing of a number of low profit enterprises of the agricultural industry caused a broad stream of people seeking work to come to Guangdong Province last year. They, some with permission from the local authorities and some without it (in China there is no right of free movement from some regions to others), went to this southern province in the hope of somehow finding a job or finding themselves in a special economic zone. But Guangdong did not need surplus labor, and the province experienced serious difficulties before it managed to stop this spontaneous massive influx.

Special measures are now being taken in the country to better regulate and control the problem of unemployment, which has become especially serious in rural regions where not only have some industrial enterprises under settlement and district jurisdiction been closed, but also where some of the temporary construction workers who came there in the recent years of the construction boom have begun to return from the cities (in 1989 1.3 million people were returned to the countryside).

A nation-wide system of employment agencies has now been formed in China; and this system will also take on organizing the training and retraining of workers in needed specializations. Only this agency has the right to grant licenses which permit a strictly defined number of workers from rural areas to be hired. The representatives of the Ministry of Labor and Personnel point out that in 1990 cities will be able to offer 6 million jobs, while there are 12 million claimants from among urban residents alone.

All this shows the scale of the social problems in China and the impossibility of resolving them without a comprehensively developed unified policy of the state, the authorities in the center, and local authorities. Nor must one make an abstraction of the general demographic situation: the country now has a population of 1,100,000,000.

I posed the question of the demographic situation to the editor in chief of RENMIN RIBAO Shao Huajie.

"It remains a major problem," he said. "Policy is directed to restricting the birthrate and family planning, and that is understandable: an uncontrolled increase in the birthrate would put in question the very possibility of substantially increasing national income per capita, which was made one of the main goals of China's development in 1980-2000."

In cities the policy of "one child per family" is working somewhat, but in rural areas it is much more difficult to realize: traditional concepts and prejudices are retained which demand having a son in the family, and that is consolidated by the present policy of the farm contract—a son-helper is needed on the farm. Therefore, in the

countryside a second child is officially allowed if the first is a daughter, but after the birth of a third economic and administrative sanctions follow and privileges are lost. Therefore, the very fact of the appearance of a child is frequently hidden from authorities.

In connection with the fourth all-China census which begins on 1 July of this year, the government announced that those children who up to now have not been registered may be without fear of punishment. For the real number of inhabitants in the country must be known!

Shao Huajie noted that the policy of "one child per family" has caused a new problem for Chinese society: the child has the tendency to turn into a "little emperor."

But even so, I think, the moral-indoctrinational aspect is less important in the general problems of population than the socioeconomic aspect. And the issue of the country's economic growth and employment rate and job placement remains paramount. It is right here that problems of economics and politics, the need for real progress in reforms, and the existence and development of all forms of property intersect. Those forms of property include private property, which is reinforced by the PRC Constitution.

Despite the decline in the total number of individual and private enterprises in China in the last year and a half because of the slump in economic market conditions, they account for about 5 percent of the volume of industrial production and they provide 23 million jobs.

I met one of the representatives of private enterprise on this trip.

#### The Private Entrepreneur

Xie Zhunyu, the manager and owner of a plant which produces arc welding tools, is not simply an individual entrepreneur but the chairman of the Association of Private Entrepreneurs of the city of Guangzhou and the deputy chairman of the Association of Private Entrepreneurs of Guangdong Province (the latter numbers about 230,000 members).

We met on the site of the plant, or rather not on it but in the office of the school which Xie rents the site from, because it was impossible to talk in the shop: the entire space was choked with equipment and people. And in fact, in terms of our scale its size corresponds more to a school workshop. But it is the main production facility (there are two other small sites somewhere in the city) of an enterprise where 130 workers are employed. There is no administrative apparatus in the strict sense of the word: only the wife of the owner himself and a few pensioners. When the system of private enterprise was permitted to be revived in China 10 years ago, the number of hired workers and apprentices was limited to 8. Now there are no restrictions, you can hire as many as you want, but if more than eight people are hired, the enterprise is considered private.

Xie Zhunyu is 49 years old, he graduated from a 3-year technical school (incidentally, he is the only person at the enterprise who has technical education), and, obviously, by nature he has technical abilities. He began by improving a Soviet arc welding tool, ultimately making it one-half to one-third its former weight and twice as powerful. When Xie founded his own business 8 years ago, he had 450 yuan of capital, but last year he paid the state 200,000 yuan in taxes.

The workers at his enterprise make an average wage of more than 400 yuan a month (there are those who make 500 and even 600 yuan)—twice as high as in state enterprises. There is a system of bonuses and supplemental wages for overfulfilling the norm. One would not call the conditions of labor ideal; it is somewhat crowded and dusty and the light is not bright, but people work diligently.

Xie has prospered. His units enjoy steady demand and are even sold abroad. Although competitors have already appeared in Guangzhou and other areas, they have not overtaken him yet: during these years he has developed several new models and modifications and makes improvements in his products every year. He now produces 6 types of arc welding tools, on the whole 10,000 units a year.

At his invitation we visited Xie Zhunyu's home. He has a private three-room apartment which he acquired for 210,000 yuan. It is furnished with expensive traditional Chinese furniture. There are a Japanese television, a videorecorder, and a refrigerator. He has three children, two daughters and a son. I could not refrain from mentioning the decorating in the apartment.

"That's all my wife's doing," smiled Xie. "I don't even watch television, it doesn't interest me, I work 14 hours a day."

He does not drink, does not smoke, and does not rest on Sundays. But what moves him, I asked, interest in money, entertainment, income?

"No," answered Xie, "money isn't the main thing. I love to work and my head is involved only in work. One of my friends calls me a monk."

But in fact can profit be considered the only stimulus for a man such as Xie Zhunyu? It seems to me that in his work he expresses himself as an independent, creative person. And such a person's potential and capabilities, both technical and organizational, seek and find their worth and their satisfaction in acknowledgement by society.

For the last 3 years Xie has donated 60,000 yuan for lonely poor people and constantly helps the school from whom he rents space as well. He wrote and published in the provincial newspaper two articles on Chinese arc welding tools. Social affairs for the Association of Private Entrepreneurs demand 4-5 days of unpaid work from him a month.

So, can one see all of China all at once?

Thanks to our hospitable hosts from the All-Union Association and local associations of journalists which organized a broad circle of talks and meetings, we got the opportunity to see a great deal during this trip to China. The head of the Chinese government Li Peng received the delegation and answered the questions of Soviet journalists in detail (see ZA RUBEZHOM, No 14).

But we still will not sanguinely claim that we were able to make out and understand everything fundamental and "see all of China." That is still impossible. It is a large country, an enormous people, an endless multitude of everyday and long-term problems and concerns. And the people have such a diverse life. On the one hand there are people who work on the modern advanced equipment of enterprises in large cities and special economic zones and already calculate their personal prosperity in terms of standards determined "on the average" for the country for the year 2000, as in Shenzhen, and on the other, several tens of millions of people in remote interior regions who as yet cannot deal with the problem of very fundamental subsistence and clothing without the state's help. VUZes, scientific research institutes with modern world-level teaching and research work, and the task of eliminating illiteracy among approximately 20 percent of the population. All that is China today, a developing socialist country, as the Chinese themselves define it. And it is solving its own problems based on the difficult and particular features of the society and recognizing more and more deeply the need to deal with the wealth and contradictory nature of the conditions of development of the surrounding world.

#### **Opportunity to Learn from Chinese Economic Reforms Noted**

*90UF0136A Moscow MOSKOVSKAYA PRAVDA  
in Russian 22 Apr 90 p 3*

[Article by Yuriy Kornilov, TASS political observer, under the rubric "The Planet—Week in Focus": "The Secret of the Eight Chinese Characters"]

[Text] There are events and instances in the chronicle of international affairs which form especially important pages in this chronicle. The Soviet-Chinese summit meetings are unquestionably among these events. In evaluating M. S. Gorbachev's visit to the PRC a year ago people in Beijing remark that the results of this visit can be summed up by eight Chinese characters which mean: "Close out the past, open up the future." The 23 April official visit to Moscow by Li Peng, Premier of the PRC State Council, is a new step forward in strengthening and developing this beneficial process. It is not accidental that the Soviet-Chinese dialogue has attracted such fixed attention in recent days from both the mass information media and political circles in various countries.

The USSR and China have come to a firm conclusion that today, when the period of mutual hostility is behind, relations between the two countries must be based on the

universal principles of interstate dealings. These are mutual respect for sovereignty and territorial integrity. Non-intervention in one another's internal affairs. Equality and mutual advantage. Peaceful co-existence. Absolute compliance with these principles is a guarantee that relations between the USSR and the PRC will be not just stable but truly friendly, like good neighbors. And is there any need to say that a strengthening of good-neighbor relations between Moscow and Beijing is fully in step with those trends toward normalization of the international climate which increasingly define the present situation on the planet?

The normalization and improvement of Moscow-Beijing relations provided a strong impulse for the two countries to formulate a "mechanism of interaction" which can be used to strengthen and develop Soviet-Chinese ties and cooperation in the most varied fields. An example might be the broad scope of Soviet-Chinese trade economic and scientific-technical ties: last year the volume of mutual trade was almost 2.4 billion rubles. It is noteworthy that machinery and equipment account for 55 percent of the goods delivered to China, while our country imports from China mainly those industrial and food products which are scarce on our retail markets.

I recently had occasion to be in China with a delegation of Soviet journalists. There were six in the delegation: people of different ages, employees of the mass information media not only in Moscow but also Kiev, Alma-Ata, and Irkutsk. And what is noteworthy is this: no matter what aspect of the Chinese reforms and life we became acquainted with, all the members of our delegation, not agreeing in advance, spontaneously asked the same question: is this method, this innovation, applicable in our country? And that is natural. After all, the USSR and China are setting similar goals—solidify and renew socialism and give it qualities that respond to the challenge of the day. And although the differences in history, political practice, and nationality features of the two country preclude any mechanical "copying," the actual approaches of Moscow and Beijing to solving the problems of social development unquestionably have many common characteristics.

The Chinese reform, which was begun 10 years ago, is twice as old as Soviet perestroika. In the course of this reform the Chinese have accumulated considerable know-how. What are its instructive aspects? Above all, tactics: after identifying the challenge and defining priorities, the Chinese act purposefully, determinedly, allowing no wavering. That is how it was, for example, with the transformation of the countryside. After liquidating the "people's communes," which in my opinion smacked greatly of our kolkhozes, and introducing the family contract, the Chinese were able to improve agriculture in a relatively short time. I would recall that grain production in the country has reached a record figure of 400 million tons.

Beijing acted just as tenaciously in carrying out the policy of creating "special economic zones" (SEZ's) and

in incorporation and introduction of the latest advance of world scientific-technical thought into their economy. Our delegation visited one of these zones in the southern part of the country, in Shenzheng. We saw an ultra-modern industrial center, raised on the yeast of foreign capital investment, which supplies the Chinese and foreign consumers with hundreds of types of first-class industrial output, from bicycles and footwear to electronics. In just the five SEZ's that have been formed in the country more than 5,700 enterprises and facilities have been and are being built with participation of foreign capital. But in our country?

This does not mean, of course, that the Chinese reforms are an undisputed "model" that needs no interpretation. In the course of these reforms a great deal of both positive and negative know-how has been accumulated. People we talked with in Beijing observed that beginning in 1985 the country's economy showed too-rapid rates of development which led to a severe disproportion between savings and consumption, and serious inflationary processes made themselves felt. The slogan of "straightening out the economy" was made paramount. It is by no means accidental that Beijing today is persistently calling for stabilization in the political, economic, and social spheres. This was said, in particular, by Li Peng just recently during an inspection trip to Shanghai, a major Chinese industrial center. Speaking of the current economic situation in the country the head of the PRC Government took note of the marked successes achieved in the process of carrying out the program to improve conditions and put the economy in order. "As for certain difficulties being experienced in some regions of the PRC," he said, "the central authorities have worked out a set of measures to take care of them." The Chinese leader noted the need to search for "formulas for an optimal combination of a planned economy and market regulation."

Yes, China's path to the future is not easy or simple, but then our own experience too illustrates how complex and sometimes painful the renewal process is. And who was it that said that you have to close your eyes to the hardships and learn from your neighbors' positive models only? Absolutely precluding any attempt whatsoever, even indirectly, to interfere in the affairs of others and not even permitting the idea that we have the right—as was done extensively until quite recently—to tell others what is right and wrong, I think that we can draw something instructive for ourselves from both the Chinese successes and the mistakes that have been made in the course of the reforms. Especially today when the Moscow-Beijing dialogue is apparently becoming not just more active but also increasingly sincere and trustful.

So, what are they thinking and saying in China itself today about the upcoming visit of the Premier of the PRC State Council to the USSR? Here are two entries from my "Chinese notebook."

Shao Huaze, editor-in-chief of the newspaper RENMIN RIBAO: "It is not only the peoples of our countries who have an interest in the strengthening of our ties and growth of trust between Moscow and Beijing, it is the whole world. We at RENMIN RIBAO are convinced that the Soviet-Chinese talks will go successfully and we are going to cover this important event broadly. Especially because our own correspondent has just begun working in Moscow again after a break of many years."

Liu Nianzhi, deputy mayor of Guanzhou: "Li Peng's visit to Moscow and the Soviet-Chinese meetings and talks will undoubtedly promote the development of mutually beneficial contacts and strengthen the friendship of the peoples of our countries. We in Guanzhou have said many times that our city could become the sister city of some Soviet city. Perhaps it is time to put this idea on a practical footing?"

Receiving our journalistic delegation in Beijing the Premier of the PRC State Council emphasized: "The Peoples of our countries should live in peace and friendship." That is also the wish of Soviet people. Welcome to Moscow, Comrade Li Peng!

### **Soviet Correspondents Describe Seoul's 'Economic Prosperity'**

90UF0138A Moscow *MOSKOVSKAYA PRAVDA*  
in Russian 19, 22 Apr 90

[Article by M. Stoyanov and S. Kukhianidze: "Seven Days in Seoul: A Visit to the 'Small Dragon'"]

[19 Apr 90, p 3]

[Text] Somewhere over the Urals one of our companions unrolled a map of Aeroflot's international routes and exclaimed with mock horror: "Boys, we're flying to a nonexistent country!" The joke was not far from the truth. We were flying to South Korea and we were flying for the first time straight from Moscow. We were flying to a country which on our political maps and in reference books is marked altogether differently than it is officially called in actual fact—the Republic of Korea.

For many years we "did not notice" the state which really exists in the south of the Korean Peninsula. And although formally we still follow that line, Aeroflot's direct flight from Moscow to Seoul, like expanding contacts in other spheres between our countries, that undefined, to put it mildly, position, it seems, is coming to a logical conclusion. In any case almost every South Korean whom we talked with asked one and the same question: when will official relations be established between our countries?

Of course, it was not within our competence to answer that question. But in the seven days of our stay in Seoul we tried to answer other questions about the phenomenon of the transformation of an until quite recently backward country into one of the "small dragons," the name often given to South Korea, Taiwan, Singapore,

and Hong Kong, which have achieved economic prosperity in a short period of time.

### **When the Chindole Blooms**

From the top of Youi-do Mountain, Seoul with 10-million inhabitants seems to be in the palm of our hand. Above us there is only sky, pierced by the arrow of the television tower. Below, the serpentine of the Southern Mountain Road, along which an endless stream of Excels, Prestos, Stellars, and Sonatas moves. Very seldom do you find a foreign make of car in this stream: South Koreans prefer their own wheels. They are rushing to where the skyscrapers of the largest companies and banks, competing among themselves in number of stories and splendor, have been built and to where the many-spiraled geometry of the transport bypasses can no longer handle the mighty stream of cars which has overwhelmed Seoul in recent years.

In the sunny haze of early morning and the violet blossoming of the chindole (local wild rosemary), the city seems to be a young giant which does not stop rushing ever. And even the wide river Ten is unable to "cool" this giddy race.

And that is not simply using a figure of speech. Swiftness is perhaps the most accurate characteristic of Seoul today. The city, which in its development is urbane and technically-oriented, as people believe, has already peered into the 21st century. And if we want to define the philosophy of its life, as of the entire country incidentally, without daring to formulate it ourselves, we want to turn to the words of Chong kun-cho, president of Korean Air, the largest aviation company in the country. "On our streets," he said during a reception in honor of the opening of a direct flight from Moscow to Seoul, "you won't find gold statues of political leaders. We simply work hard and try to make our country better."

During our week in Seoul, we became convinced that those were not just words. South Koreans do not let time slip through their fingers; they fill it to the limit with diligent, dependable labor, which is also the basic secret of that upward flight which surprises many people today.

Some researchers are trying to discover the sources of this phenomenon in the national character and in the country's historical development. We also made such an attempt, and for that reason visited the National Museum. But it was not the displays of dull history which parted the curtain of this secret for us; it was the ringing childish hubbub which broke the reverential museum silence. In an enormous hall almost the size of a soccer field, a gang of schoolkids tore in with squeals, and... no one stopped them.

For a second we imagined a similar picture in some Moscow museum where vigilant caretaker women would have immediately put these kids in their place and given them an edifying sermon. But in the Seoul museum the employees who kept watch in the halls, dressed in elegant

high-collared jackets and white peak caps which suggested the uniform of long-distance sea captains, watched this in complete calm. Their restrained reaction to the children's uproar somewhat surprised us.

We asked museum associate Pak Son-yang for an explanation. At first she did not even understand what we were talking about. "That's completely normal," she said. "Children come here to study, and they need to get rid of energy. The important thing is that they don't cross the boundary of what's acceptable."

She explained that the kids are coming to the museum themselves after getting an assignment from their history teacher. For in a "real" situation the kids master the subject with great interest and benefit. The independence and freedom which they are given here not only helps them study the country's history better but also helps indoctrinate the individual.

Incidentally, as we later became convinced, this approach is practiced not only in relationship to school education but also in higher education and in various spheres of the economy.

In talking with Pak Son-yang, we directed attention to the journal lying in front of her. It was in English and devoted to South Korea's present condition. The young museum associate said frankly that the country's modern history interests her much more than its past.

These words are a unique kind of key to understanding South Korea's present life. Young people, as we were told, do not intend to wait and want to live well now. And for that reason thousands and thousands of young men and women head from the provinces to Seoul in the hope of taking advantage of the opportunities of the large city.

It seems that the passion of youth has made an impression even on the appearance of the capital itself. It is difficult to even imagine that Seoul was founded back in 1394. It is not easy to find traditional buildings of past times on the city streets. They have taken lonely refuge in the shadows of contemporary buildings. And although Seoul residents prefer, if they can afford it, to live in their own homes, today the city is a multistory giant with clearly Americanized architecture, which is especially characteristic of SeJong, the center of the capital.

However, we would like to tell about a typical block which was built here in the last several years rather than the center of the "Eastern Babylon." This block is not known for expensive restaurants and luxurious stores, and tourist groups avoid it. And the foreign tourist is hardly attracted by the name of this region—Kepkhodon—"place where even dogs cannot live." That was what this remote little corner in southern Seoul was called at one time, and so it is today, as if emphasizing that one can live well and comfortably anywhere where people treat their homes and one another with respect and concern.

Perhaps this is a somewhat superficial impression, but it was here that we understood that the Confucian view of the family (as, incidentally, Confucian ethics in general, which have left their mark on the Koreans' behavior) is very strong even in the country's present life. According to this ancient doctrine, the family is considered the greatest asset. It is the foundation of everything: what is good for the family is good for the state. Kepkhodon, a small bright peninsula in an enormous megapolis, can to some degree serve as a contemporary illustration of this philosophy.

Kepkhodon is a building where several thousand simple Seoul families live completely autonomously, as they say. It will never enter the head of any Kepkhodon inhabitants to bring products from the center of the city or even make the basic purchases outside their own region at all. You can stock up with everything you need here in half an hour. An enormous underground supermarket (land in the South Korean capital is terribly expensive) whose entrance is marked by a small arc is the dream of every housewife.

There is literally everything here to fill a refrigerator for a week as well as to fully clothe yourself. And naturally there are no lines.

If you so desire the necessary goods can be delivered straight to your home at a time convenient for you. And along with that is a multitude of little shops ready to satisfy the most diverse demands.

We visited this block in the evening. And the sense of elation did not leave us for even a moment. The shop-windows gleamed brightly and the names of small comfortable cafes and restaurants, where without ceremony, almost by families, the region's residents drop in after work, winked invitingly. Smiles played on the faces of the people walking by. Everything glittered and sparkled as if this were not an ordinary weekday, but the peak of a holiday. And what was also striking was the impeccable cleanliness of the well-kept streets. At first it seemed that it was somehow like the new Arbat. But we soon understood the difference—Kepkhodon is a place where people live rather than a formal picture.

"You know," one of the few Soviets working in Seoul today, who lives on this block, told us, "I've already been here almost 2 months and I can't get used to the level of local service at all.

"For example, there are no problems with cleaning or washing clothes. In the mornings the representative of the appropriate service takes orders directly at home. And if I need to have a cleaned suit or a clean shirt in 3 hours, I am certain it will be done exactly on time. And they bring my things to me, directly to my home, naturally."

So that is really how a shirt is washed there! One of us decided to experience the possibilities of Seoul service in reality. On the famous commercial street Itaewon, where there are at least three employees of each of the



numerous stores and shops there for each customer, we were captured by the persistent exhortations of the street hawkers. These young, strong fellows were blocking the entire pedestrian areas of Itaewon—it was virtually impossible to escape them. That is how we unwillingly found ourselves in the tailor shop of Mr. Sok—a small room rented on the second floor of a ready-made dresses store. The owner of it literally forcibly took the measurements of one of us after assuring us that a marvelous suit sewn from any fabric we liked (there were several tens of them there) would be ready the day after tomorrow.

“How about tomorrow?” we asked, not taking any special risk since the financial capabilities of Soviets on business trips are still in very strong contradiction to the possibilities and prices of foreign service.

“Tomorrow?” he repeated. And after thinking it over for exactly a second, he added: “What time?”

One can have excellent shirts sewn, not to mention any repair, in several hours without leaving this street. Incidentally, Itaewon was one other kind of discovery for us: genuine sympathy toward our country. The sellers of street goods, which for the most part are displayed under the open sky, showed their many gifts to us: various Soviet badges and other souvenirs. “Our people have already been here,” we involuntarily thought of our fellow countrymen who had managed to extend their route along this street.

And, I must confess, it was unbelievably nice to hear from one of the salesgirls, a charming Miss Son, as she introduced herself, several Russian words she had gleaned from the first Russian language textbook. It just came out in Seoul and was published by the book publishing house “Purunsan.”

One can get used to everything—the abundance of goods, the shop-windows that stun the imagination; but getting used to the genuine respect with which each visitor is met, wherever you go—a store, a restaurant, a hotel, even making allowances for traditional Korean courtesy, was very difficult for us Soviet people. Bows to the waist were filled with respect for the guest and at the same time full of a sense of one's own worth. We bitterly remembered the sullen face of our haphazard service and unwillingly thought that if just some of these smiles illuminated the faces of Moscow salesgirls, the empty shelves of our stores would not seem so hopelessly sad.

[22 Apr 90, p 4]

[Text] Orange Tents

Seoul has a considerable number of large and small “secrets” which give it a unique coloring. One of them is the famous Namdaemun market—an endless labyrinth of trade row-streets which take up several blocks. No one will tell you when Namdaemun opens and when it goes to sleep. This noisy, crowded Eastern bazaar, where many meters of rows with clothing and shoes run on into the most exotic vegetables and fruits (the strawberries

here, fresh as a picture, can be tasted at five in the morning and at midnight), where the aroma of Eastern spices mixes with the smell of the gifts of the sea and the dishes of Korean cuisine prepared right there on special braziers, seethes round the clock. And what is surprising is that despite the incredible crush, no one gets annoyed and throws angry glances at one another.

We did not see even one guardian of public order here, and a certain inner logic of the movement of this trade ant-hill was felt which allows it to function efficiently and calmly.

Moreover, we came to Namdaemun at night one time when most shops were already closed or were closing and only lonely shadows flashed by in the dark lanes. No one paid any attention to two foreigners wandering through the empty night bazaar. We felt completely safe, and significantly more so than if we were in the Ryzhskiy Market in the afternoon.

And that is by no means an exaggeration. We were told that crime in general is at a very low level in Seoul.

So that no illusions are created, let us say by the way that sometimes in the evening we noticed quite a few young people tipsy, as they say. But they behaved altogether peaceably and did not represent any threat to passers-by.

In general it seemed to us that inner culture is a dominant note of South Korean life. It naturally has historic roots. But today it is organically interwoven with the country's scientific-technical progress and seems to have acquired new colors in keeping with the electronic age. A foreigner who arrives in Seoul immediately encounters this in Kimpo airport, where not only the highest level of technical equipment but also the equally high level of service and courtesy of the personnel is striking. Here there is perhaps something even for Europe to learn. But it seemed to us that Seoul's main train station emphasizes this side of Seoul life to an even greater extent.

While outwardly resembling many train stations of the world, inside it represents an intelligently planned, efficiently operating mechanism where a person does not feel like a random passer-by forgotten at a small station but a long-awaited guest.

Here there is no need to kill time without purpose waiting for the train or to seek some refuge for oneself. Everything for passengers is provided for in the enormous station hall, it seems. Six television screens are in a normal visual range for those who want to pass the time in front of a television. A long suite of cafes and restaurants beckons with comfort, cleanliness, and all kinds of aromas. There is no crush and no lines. You just go on in, and it is pleasant. Next to it are several small stores with everything essential, including even food-stuffs. And for those who want to test their dexterity there is a fine bowling alley.



We went down one stairwell and found ourselves in an automobile store where all you had to do was pay the appropriate sum and then immediately drive off in a brand-new limousine.

After "transferring" from the train to a car, we must touch on one of the worst sore points of Seoul's urban economy—transport. There are 10 times the number of automobiles in the South Korean capital as in Moscow, with approximately the same population. Traffic jams here are a constant event. As the journal BUSINESS KOREA light-heartedly noted, the most popular theme of conversation among Seoul residents today is not politics nor inflation nor even sex, but problems related to traffic—traffic jams, air pollution, and the high accident rate. The American magazine TIME recently came to this conclusion: South Korea is one of the most dangerous places to drive.

Here are just a few examples. While in 1980 in rush hour cars in Seoul moved at an average speed of slightly more than 30 kilometers per hour, in the past year it was only about 19 kilometers per hour. In this regard in 1988 Seoul was recognized as the most dangerous place on the planet. Compare: to go 20 kilometers in rush hour it took 44 minutes in Tokyo, 32—in London, 29—in New York, but in Seoul—56 minutes!

And the number of cars in the country continues to grow. According to evidence of the Ministry of Trade and Industry, by the end of 1992 the majority of residents in South Korea will have their own car.

Of course, greater prosperity is undoubtedly a fine thing. But it also has its reverse side. As we were told in Seoul, now more and more of the city's residents, women among them, want to sit behind the wheel of a car without adequate practical training, and that puts additional pressure on the motor highways.

How can this problem be handled? Local authorities are seeking a solution in, among other things, expanding subway lines. At the present time there are 116.5 kilometers of these lines. By the year 2000 the subway is to be brought up to almost 410 kilometers. At the same time they intend to revise the work schedule of various institutions.

In general the Seoul metro is worth saying a few words about. It is efficient and built without excess, but pretty and comfortable. We did not see even one controller there, everything is automated—you can enter using only two types of magnetized tickets—short- or long-distance. The charge is naturally different. Incidentally, there is automatic verification not only when you enter but when you leave. And it is impossible to deceive the automatic turnstile. Unlike our metro, the cars in the Seoul underground interconnect. You can buy a fresh newspaper here and drink a cup of hot coffee or tea or a glass of water from an automat at any station at any time.

We must say that there are jams in Seoul not only on land but underground. It is not so very easy to get into a

metro car during rush hour. And it was at that time that we were witnesses to an unusual scene for us in one of the metro stations. A young man neatly shoved a woman passenger who would not fit into the car. As it turned out, this was one of the so-called "pushers." They are special employees who work at each station of the Seoul metro. And they do their work most efficiently. This is indeed underground service at the highest level.

As "bare information" let us cite some other data about Seoul which, we think, will be interesting. Three types of taxis which are different colors ply the city streets. The ordinary taxis, green or yellow, taxis on call, usually gold, black, or beige, and the so-called hotel taxis. Incidentally, tips are not usual in South Korea, with the exception of those cases where a driver helps a passenger carry luggage. But there is supposed to be a 20-percent supplement to the charge from midnight to 0400.

Public telephones are also different colors in Seoul. Local-call phones are red and green and intercity phones—yellow. In addition they all work, and there is a telephone book in each booth which for some reason no one tries to steal.

When we were asked "What surprised you the most in Seoul?" we began to diligently run over recent impressions in our minds, trying to single out something most important. And it turned out that it was not the magnificence of the modern buildings which have grown up in the last 10-15 years, not the necklace of bridges which joins the shores of the Ten River, not the proudly preserved signs of the Olympics which took place 2 years ago, not the 70 types of meat which we counted in one department alone of the splendid Lotte supermarket where the salesgirls are hired in a competition no less rigorous than international beauty contests...

We were amazed by one small but surprising detail. We saw the flowers in the street lamps. They were artificial bouquets of flowers which decorated the metal light posts on one of the streets of Seoul. They were within reach of an outstretched arm, but not one petal, not one flower had been torn off.

We would not want to create the impression that the South Korean capital is like an earthly paradise. Not at all. The city and its residents have a considerable number of problems which are not always visible from outside.

"The main one," Kim Sung-Tan, an associate of a tourist agency whom we met in Seoul, said to us, "is the gap between the rich and the poor. And although efforts are now being made to reduce it, it is still quite large. Yes, the material level in our country has risen. Today the average wage is 700-900 dollars a month, but there are still quite a few people in our country whose income is substantially less. We also have quite a few homeless. And although unemployment is not as high as in previous years, and now is about 4 percent, that is also a definite problem.

“Those who have diplomas more and more often cannot find work in their specialization. This is especially characteristic of Seoul because of the stream of people from the provinces who come here. And there is something else that concerns us—the violation of old traditions. This especially applies to young people who unlike the older generation want to live more easily and with fewer cares. But, of course, our special worry is ecology. I think that all this is characteristic of other large cities as well.”

The evening covers Seoul suddenly. It comes down from Youi-do Mountain and extinguishes the turbulent fires of advertisements on the city streets. The skyscrapers of

the offices fade, the doors of most stores close. And at this hour a certain magic occurs on the city streets. Orange tents burst into flame everywhere in the twinkling of an eye—the street snack bars. Everything that there is in Korean national cuisine is cooked and boiled here on gas burners and portable braziers. Tempting aromas float along Seoul's streets from these tents under whose cosy roofs Seoul residents sit until late at night. And at dawn the orange tents, once again in a twinkling, as they appeared, vanish until the following evening.

The city at the foot of Youi-do does not stop its headlong rush for even a moment.

### Namibian Economy Still Dependent On S. Africa

90UF0108A Moscow SOVETSKAYA ROSSIYA  
in Russian 21 Apr 90 p 5

[Article by A. Dubrovskiy, A. Dobrovolskiy: "Economic Mine Field—Prospects For Namibia's Independent Development"]

[Text] Windhoek and Harare—If one goes down Kaiserstrasse, Windhoek's central thoroughfare, about five kilometers, the modern skyscrapers and tidy old churches give way to the slums of a typical black bidonville, NOVOSTI correspondents in southern Africa report to SOVETSKAYA ROSSIYA. This is Katutura, an African suburb of the Namibian capital, where the first mass protest by the oppressed black majority broke out in December 1959. At that time, the path to freedom was unclear. Ironically, the very name Katutura, translated from the language of the Herero people, means, "We don't know where to go." Where will the Republic of Namibia, Africa's last colony to be liberated, go?

The declaration of independence and the victory of the African majority, led by the South-West Africa People's Organization (SWAPO), in the country's first free elections is a truly epochal event, the end of the colonial era on the continent. At the same time, the legacy Namibia is inheriting from the many years of occupation by the Republic of South Africa weighs heavy on the young state. The situation that arose during the period of transition to independence in is many respects unusual and even paradoxical.

On the one hand, the withdrawal of the occupation army deprived thousands of people employed in providing services to it of jobs and wages. Pretoria's cash injections into the country's budget have ceased, injections that, objectively speaking, subsidized local business.

On the other hand, in experts' view, Namibia's move toward independence has become one of the Pretoria regime's most successful financial operations in recent years. "The best commercial deal South Africa has ever made"—is how Namibian Finance Minister Dr. Otto Kherigel characterized the process. Indeed, the income the RSA received from the sale of food, equipment, and much more to the UN Transitional Assistance Group for Namibia was considerable. But that was mere "pocket money," so to speak, for the treasury. Today the question is one of far more extensive commercial deals. In response to the question as to why Pretoria ultimately agreed to implement UN Security Council Resolution No. 435 on the decolonization of South-West Africa, a South African diplomat told one of us: "Yes, we are losing Namibia, but we are getting much more in return."

To all intents and purposes, the detachment of the "fifth province," as Namibia was known in the RSA, has won Pretoria not just points in the political game, but also indisputable economic benefits for some time to come. The lifting of sanctions is turning Namibia into a

country where for the next several years at least, the RSA will be able to "launder" its goods through Namibian companies operating with South African capital. Here is just one symbolic example: More than 500 new firms were registered in Namibia last year, most of which are financed from the south. For purposes of comparison, in 1988, when the bloody war was under way, no more than 40 such companies were registered. Without a doubt, Namibia's declaration of independence has also played a positive role in the sphere of political detente in southern Africa. The new South African leadership's readiness to cooperate with all the world's countries, combined with its intention to dismantle the system of apartheid in its own country, which were demonstrated in the course of preparations for Namibia's declaration of independence, open up prospects, in specialists' view, for an end to the conflict in the region altogether in the next two to three years. Positive shifts in untying the Angolan knot are also possible.

Independent Namibia is forced to remain under South Africa's direct economic influence. For at least the next two years, the republic will retain the South African rand as its monetary unit. For at least another three years, Namibia will remain a member of the South African Customs Union, which unites the RSA, Botswana, Lesoto, and Swaziland. As before, the lion's share of manufactured and food products—90 percent of all imports—are provided by that rich southern neighbor, which, incidentally, continues to control the chief export route: The sole deep-water port on the Atlantic coast, Walvis Bay, belongs to the RSA.

Speaking in parliament in early February, RSA President de Klerk said: "We will continue to play a constructive role in future relations with Namibia."

The implications of this game are obvious: Life for Namibia today is seemingly woven of contradictions. On the one hand, the republic's economy is one of the most powerful south of the Sahara. On the other, the country essentially produces what it doesn't consume, and consumes what it doesn't produce: 80 percent of all manufactured goods are imported. And the economy itself is to an enormous extent geared toward export branches, above all mining, which accounts for 41 percent of its gross national product. By contrast, agriculture and the fishing industry combined produce just 13 percent. "If the RSA closes the border," a black businessman in Windhoek noted sadly in a conversation with us, "everything will disappear from the shelves, even matches. We won't have anything to light our hearths."

Here in Namibia, there are just two colors—black and white. Tremendously rich deposits of commercial minerals, and the poverty of the overwhelming majority of the African population. Magnificent highways, and primitive tribes leading a nomadic existence in the desert. The fashionable apartments of Windhoek, one of Africa's most beautiful cities, and the African townships, where more than 125,000 people have no roof over their

heads. The impressive offices of transnational monopolies, and squalid African workshops under the open sky. And finally, a 30 percent unemployment rate.

Although the average annual per capita income is 720 U.S. dollars—considerable by African standards, such statistics in no way reflect the colossal disparity in incomes between the republic's white and dark-skinned citizens. The whites, who account for less than 7 percent of the population, earn 25 times more than all the remaining national and tribal groups. Back in 1964, the Odendaal commission legitimized unequal land distribution, setting aside for the white minority a rich slice of land amounting to 60 percent of the territory, where the major farms and deposits of commercial minerals are located. The whites own 65 percent of all private property in the country.

By some estimates, just before the elections to Namibia's first assembly last fall, nearly 10 percent of its white citizens planned to emigrate. Similarly, it was mostly whites who voted against SWAPO. There are explanations for both these circumstances: Many white Namibians considered SWAPO no more than the party of the black inhabitants of Ovamboland, one of the provinces of South-West Africa. They were also intimidated by its former slogans of universal nationalization and socialization of property, as well as the SWAPO leadership's statements that the "whites will be guests on our land."

But in the few months between the November elections and independence day in late March, substantial advances were made in relations between the white population and the government. For example, several whites were included in the Cabinet of Ministers. Sam Nujoma himself repeatedly assured big business representatives that they needn't fear the SWAPO government. He even wrote a letter to "captains" of the European and especially British business world in which he stressed that "our (Namibia's) success depends on your success, and your success on ours."

At the same time, addressing his dark-skinned fellow citizens, the President called on them to labor and through their labor to build joint prosperity, and not to expect that the government will divide other people's property among them merely because they supported SWAPO in the elections.

That accent was purely pragmatic: For every white is an employer for several dark-skinned Namibian residents in both production and services. Every white pays sizable taxes that fill the treasury.

Nevertheless, will the independent Republic of Namibia be able to feed the hungry, clothe the naked, and provide housing for the homeless? For the present, an analysis of the situation indicates that any fundamental break with existing economic relations and structures would set the country 10 years back, as has happened more than once on the dark continent.

Although SWAPO's campaign manifesto said that the party does not hide its conviction in the moral superiority of public ownership of the means of production, the task of total nationalization of land, mines, and industrial and agricultural enterprises in not on the agenda. Incidentally, it would be hard to expect otherwise—for given the alignment of forces in the Constitutional Assembly, where SWAPO controls only 41 of the 72 seats, any proposal has to pass through a complex process of reconciliation with Assembly members from all parties, which by no means hold common views.

The SWAPO government itself is well aware of the present situation. After taking the oath of office, Sam Nujoma, the republic's first President, declared that his government supports a mixed economy, and he asked foreign partners for help in weakening the country's dependence on the RSA. For all practical purposes, SWAPO has reconsidered its earlier principles that called for nationalization of industry and land redistribution. Now the scenario that SWAPO proposes for Namibia's future development is this: reliance on its own workforce but Western technology and capital. Great hopes are pinned on regional cooperation—Namibia has declared its readiness to join a preferential trade zone of the countries of eastern and southern Africa, to become a member of the Southern African Development Coordination Conference, and to participate in the Lome Convention.

This pragmatism is much to the liking of major companies, especially those engaged in the most profitable business—uranium, diamond, and copper mining, which are dominated by three giants: SDM, from the De Birs group, in the diamond business; Rossing, a subsidiary of Rio Tinto, in uranium mining; and Tsumeb, controlled by British corporations through subsidiaries in the RSA, in copper. These business monsters are nurturing plans for a dynamic expansion in their presence in independent Namibia. Already, the Rossing uranium mine alone, which uses the open-cut extraction method, accounts for 35 percent of the value of the country's entire exports.

And so political independence has been achieved, and the overall prospects for the region are starting to take shape. But economic independence is seen only in the remote future. The RSA army has departed, leaving behind an economic mine field.

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