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EAST-WEST RELATIONS

MGU SEMINAR ON EEC-CEMA ECONOMIC, S & T COOPERATION

Moscow VESTNIK MOSKOVSKOGO UNIVERSITETA: SERIYA 6: EKONOMIKA in Russian No 1, Jan-Feb 87 pp 75-82

[Article by Ye. V. Talyzina: "CEMA and the EEC: Prospects for General European Cooperation"]

[Text] The third scientific-theoretical seminar organized by the laboratory on economic integration problems of the countries of Western Europe on the topic "The European Economic Community and the Socialist Countries: Problems and Prospects for Economic and Scientific and Technical Cooperation" was held in 1986 in the economics department of the MGU [Moscow State University] imeni M. V. Lomonosov. Leading scientists from Moscow VUZes and academic institutes, representatives of the country's functional organizations (GKNT SSSR, MID SSSR [USSR State Committee for Science and Technology, USSR Ministry of Foreign Affairs]) and other institutions in the capital, as well as specialists from socialist countries, took part in its work.

In opening the scientific seminar, the head of the laboratory, Doctor of Economic Sciences L. I. Glukharev (Moscow State University), noted that it was pointed out at the 27th CPSU Congress: "The CPSU considers a EUROPEAN [in boldface] orientation to be one of the basic directions in its international activity." (1) In this connection, it is important to raise the question of the objective and subjective factors which influence the trend of developing relations between countries of the European Economic Community and the Council for Economic Mutual Assistance. In his opinion, the tendency of these relations to grow progressively in commercial ties, and especially in industrial and scientific and technical cooperation, stems from the objective conformity to principle of the internationalization of economic life, the lack of uniformity in economic development, and global problems, that is, in the words of V. I. Lenin, common economic and universal relationships. (2)

Historical analysis of the evolution of the EEC's "Eastern strategy" attests to the fact that it is oriented toward expansion of trade and economic ties. While this was a "strategy of containment," in EEC terminology, in the 1950's and early 1960's, searches for "new forms" and "new methods" were begun in the mid-1960's. In the 1970's and 1980's, even when the crisis in international relations and the increased aggressiveness of imperialist circles are taken into account, a trend toward extending ties has been observed, although in a

conflicting and fluctuating manner, inasmuch as the Soviet Union, according to evidence in the foreign press and EEC documents, is regarded as a "privileged partner" and trade with socialist countries is regarded as a "market buffer" against cyclical shocks, a "fulcrum" in industrial cooperation with third countries, a factor to ensure scientific and technical polycentrism and reduce technological dependence on the United States. The Atlantic solidarity of the United States and the EEC is being eroded by the opposing interests.

Taking this into account, the "Eastern strategy" is becoming the most important factor in the EEC's foreign political maneuvering. At the same time, in order to demonstrate the "collective role" of the EEC in international relations (with an expansion of the geographic area for relations), the tendency to extend EEC organs' control from trade to other fields--credit relations and industrial and scientific and technical cooperation--is becoming apparent. To a significant degree, the EEC's "Eastern strategy" has been oriented toward the concept of clear differentiation between the "politics" and "business relationships" of countries with a "controlled market economy" and a "managed economy." The "concept of asymmetry" is being used as an argument for impeding normalization of ties between the EEC and CEMA as organizations, although the EEC has established normal relations with other economic groupings (ASEAN, LAES [Latin American Economic System]) and others.

It is obvious that the task of Soviet scientists is to search on one hand for a mechanism for economic cooperation, taking the EEC's problems into account (agricultural surpluses, the technological lag, social problems, and so forth), and on the other hand, to give a principled rebuff to the ideological and political maneuvers of the EEC's dualistic "Eastern strategy."

In a joint statement describing the objective conditions and trends in developing general European cooperation, V. A. Gorskiy and Ye. D. Chebotareva, candidates of economic sciences (VNIKI MVT SSSR [All-Union Scientific Research and Design Institute of the USSR Ministry of Foreign Trade]), attention was drawn to the fact that the EEC has entered a new stage in the scope of its development. An important document has been signed--the Unified Europe Act (EEA), which establishes a legal basis for further advancement, expands the scope of its activity, and sets the long-range objectives of the grouping: establishment of an economic and foreign exchange union, and then a European union embracing the entire range of relations among member countries, including foreign policy and defense. The further expansion of the EEC is also assuming a new character. This gives us grounds for speaking about the trend toward formation of a unified West European market. Scientific and technical cooperation on a West European foundation is increasing at a rapid pace (programs: ESPRIT [European Strategic Program for R & D in Information Technology], KOST, "Evrika," space research, the Airbus, and so forth).

The influence of the United States affects the grouping's activity in two ways. On the one hand, the member states are being urged to unify and follow an independent policy. On the other hand, the leadership of the United States in the economic and scientific and technical fields and its overwhelming military and political superiority over West Europe in all probability do not allow the EEC to follow a completely independent policy. In recent years the

United States, by making active use of NATO, KOKOM, the OECD and other organizations, has been able to impose its approach to economic ties with socialist states on the EEC countries to a considerable extent and to bring about acceptance of decisions which are actually aimed at restricting and even reducing trade with the East. The significant expansion of the (KOKOM) lists, measures to tighten control over the export of "strategic goods" to the USSR and other CEMA member countries, restriction of export credit, reduction of the purchases of Soviet natural gas, and so forth attest to this. It should be emphasized, however, that the unified trade policy of the EEC in itself has been and continues to be discriminatory with respect to the socialist countries. All the foregoing leaves its mark on the course of negotiations to conclude an agreement between them: the EEC has not removed a single obstacle on the path of completing negotiations, but CEMA has continued to put forth constructive initiatives in spite of this.

The problem of relations between the EEC and CEMA, which represent different socioeconomic systems and, accordingly, systems of economic operation as well, provides the basis for raising the question of a world economic system, candidate of economic sciences Yu. M. Osipov (Moscow State University) believes. Certain authors believe that there is no world economic system at present, and that only the process of transition from a capitalist world economic system to a socialist one is under way. In Yu. M. Osipov's view, the world economic system may be embodied in different forms: homogeneous as well as heterogeneous. And the latter is an integral economic system, for it may be realized as world trade between different socioeconomic systems. Such an economic system is the unity and conflict of opposites, and commodity exchange between the different systems is the mechanism for resolving the inconsistencies typical for a heterogeneous economic system. We must not wait for "...a unified, generally regulated...world economy..." (3) to emerge by itself, but we must act decisively within the framework of forms that are available. Trading relationships are not disappearing. And if we want to develop and to extend our economic and political influence in the world, if we really seek to bring about a new type of world economic system, we should increase our role in it now by providing for competitiveness and world product standards.

Continuing the discussion in this vein, doctor of economic sciences V. N. Shenayev (MEMO AN SSSR [World Economics and International Relations Institute, USSR Academy of Sciences]) stressed that a world economic system is not simply the sum of the economies of individual countries; it represents the interrelationship and interconnection between them, including the states with different social systems as well. Mutual relations between states with different social systems consolidate international economic security, for the latter is based on interdependence and expansion of trade ties, not on their reduction and not on autarchy.

Doctor of economic sciences M. N. Osmova (Moscow State University) believes that coordination of activities among socialist countries in production specialization and subcontracting, chiefly in the machine building sectors, is necessary in order to improve the effectiveness of foreign economic ties between CEMA and EEC member countries. This would make it possible to substantially increase the quality and competitiveness of output and thereby

establish a stronger, highly developed basis for cooperation with EEC member countries. Thus, meeting demands by CEMA member countries for machinery and equipment through reciprocal shipments continues to be an important task. But a substantial increase in imports of these goods from EEC countries is possible only with a corresponding increase in exports to the West, and at the same time, imports from the "Common Market" countries should be aimed at development of the priority sectors of industrial production. The directions for economic cooperation with EEC countries must be coordinated with implementation of the Comprehensive Program for Scientific and Technical Progress of CEMA Member Countries up to the Year 2000.

Candidate of economic sciences Yu. V. Andreyev (IMEMO AN SSSR) believes that development of the USSR's foreign economic strategy in the East to West direction both bilaterally and multilaterally assumes decisive importance in this respect. Increasing the competitiveness of Soviet products, especially machine building output, to the world level should play an important role here. This strategy should be based on the best possible solutions for the fundamental internal problems of our national economy, without which consolidation and diversification of the country's export potential, achievement of technical and economic independence in the main directions and an increase in our economic security are impossible.

The seminar also discussed the question of the commercial-political mechanism for regulating the EEC's foreign economic ties with socialist countries. In the view of N. A. Berdennikov (USSR State Committee for Science and Technology), the development of trade, particularly imports, is not always the best solution for the objectives set by the 27th CPSU Congress for accelerating scientific and technical progress. In fact, imports today involve the purchase of equipment which is not the most advanced, as a rule. Moreover, the purchase of capital goods involves the problem of spare parts, the reimbursement for which amounts to billions of rubles, at the same time. We are not acquiring the most advanced technology when we purchase licenses, either. We must think with the categories of tomorrow under these conditions as well. And here is the place for scientific and technical cooperation. West European firms are willingly proceeding to establish commercial ties with the USSR, in spite of the fact that the United States is attempting to interfere with them. However, discontinuation of scientific and technical cooperation is extremely unprofitable for the capitalists, including the American ones, inasmuch as the opportunity to make use of our scientific potential disappears.

Continuing the subject of the West's interest in technical exchange with the USSR and other socialist states, Doctor of Economic Sciences T. Ya. Belous (IMEMO AN SSSR) touched on the problems of licensed trade between CEMA and EEC countries. While socialist economic organizations sell basically "clear" licenses to the West, they are buying "associated" licenses as a rule, which entails the acquisition of technology as a complete unit with machines, equipment, materials, installation, experience in organization and production management, and the "production secrets" with the trademarks. In socialist countries, the "associated" licenses, supplied chiefly by international

companies (MNK), are intended mainly for developing new industrial projects. Such licenses usually eliminate risk by guaranteeing the production of output already accepted by the market, but putting them into effect often means that new enterprises are built on the basis of obsolete equipment and technology.

In certain cases it is easier for socialist countries to obtain licenses for the most advanced commodities and processes from small high-tech firms in the EEC than from the MNK's. The expediency of acquiring licenses from small companies stems from the fact that they provide access to unique and individual products; they sell technological secrets at earlier stages in the development of an invention; a license may be obtained from them for an entire advanced technological process, and not for some part of it; and they take purchasers' wishes into consideration more carefully than the MNK's and less frequently include conditions in contracts which restrict the licensees' activity on the world market.

Analyzing a model of the science-intensive specialization of industrially developed capitalist states in detail, Doctor of Economic Sciences V. N. Motylev (MFI [Moscow Finance Institute]) noted that bourgeois economists and politicians seek to tie the socialist countries to labor-intensive and resource-intensive specialization, and want to keep them in the role of suppliers of the finished products of light industry and raw materials. Meanwhile, the highly developed socialist states have fully matured to take part in intrasectorial trade, and they are capable of exporting machinery and equipment, as well as instruments and advanced chemical products, related to science-intensive commodities on an increasing scale. Under these conditions, the task of restructuring foreign trade turnover and making exports more effective assumes special importance, and it is becoming one of the principal parts of the 12th Five-Year Plan. However, the speaker stressed, stimulation of this type of specialization will require restructuring of the USSR's entire economic mechanism.

Doctor of Economic Sciences I. P. Faminskiy (Moscow State University) devoted considerable attention to an analysis of the dynamics of the structure of trade between the EEC and the socialist countries of East Europe. Thus, according to his calculations, East Europe's share in the EEC's foreign trade has increased somewhat, while the United States' share, particularly in imports from the EEC, has dropped from 10 to 7 percent. While economic ties with countries of the Pacific Ocean region are playing a more and more important role for the United States, relations with the socialist countries of East Europe may become even more important for the EEC countries in the long term. This predetermines differences in the U.S. and the EEC approach to relations with socialist countries and gives us the opportunity to assume that there are definite possibilities for further expansion of the EEC's foreign economic ties with socialist countries.

At the same time, noting the decrease in exports from the USSR to EEC countries, the speaker supported V. V. Motylev's position on the necessity of developing our export potential and restructuring the Soviet foreign trade mechanism. This same opinion is also held by Doctor of Economic Sciences N. P. Shmelev (United States of America and Canada Institute of the USSR Academy of Sciences). He notes that the agrarian protectionism of the "Common Market"

represents an important obstacle to development of the socialist countries' exports. Export problems are being made more complex by the drop in prices for oil and gas as well. In this connection, it is necessary not only to improve CEMA-EEC foreign economic ties, but the entire mechanism of credit relationships, and to establish joint enterprises.

Analyzing the negative consequences for an expansion of international trade brought with implementation of a "unified trade policy" within the EEC with respect to third countries, doctor of economic sciences N. N. Liventsev (MGIMO MID SSSR [Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs]) dwelled in more detail on the so-called differentiated approach by "Common Market" countries to trade with the socialist countries, mainly with CEMA member countries. Development of trade and economic relations between the countries named must be examined in close connection with the strategic foreign policy lines of U. S. monopolistic capital; the fact that West European countries follow the lead of American policy in this area to a considerable extent attests to this, in particular. However, it is necessary to stress that with all the external similarity in the strategic positions of the EEC and the United States with respect to development of political and economic relations with the socialist countries and their final objectives, there are important differences. While for Western Europe the considerations of economic advantage are decisive, political and ideological conceptions are fundamental for the monopoly capital of the United States, with a very modest, if not minimal, economic interest (at the current level of development in relations). In the development of East-West trade and economic ties, an unseemly role is being played by the conference of leaders of the seven key imperialist powers, which has been held on a regular basis since the mid-1970's; under pressure by the United States, they are being transformed more and more into a forum for consolidating the positions of participant countries, chiefly on the American platform. The necessity of ensuring close coordination of the foreign economic policy of CEMA member countries in order to neutralize attempts by the West to undermine the unity and solidarity of the countries of the socialist community, the idea expressed by M. N. Osmova, received support.

Examining cooperation between CEMA member countries and the EEC countries as applied to a scientific and technical and production cooperative system, Candidate of Economic Sciences Ye. V. Talyzina (Moscow State University) noted that the initiative in organizing these ties comes from the Western partners in the majority of cases, and in the event that it is displayed by the Soviet side, the firms dictate rigorous conditions for pricing, production organization procedure and sale of the finished product. The situation which has taken shape may be radically changed by shifting to forms of cooperation such as the organization of joint firms which attract the capital of the Western partners. It is necessary to note that the USSR and other CEMA member countries already have joint firms and enterprises in the territory of Western countries now. Many CEMA member countries have introduced the appropriate standards in their legislation authorizing the establishment of joint organizations on their territory. The question of organizing joint enterprises on USSR territory also arises. Organization under these conditions of joint stock companies with limited responsibility, joint enterprises which are a juristic person of the country of location, and

organizations of the "joint venture" type is of interest. In the process, the basic point in selecting areas for cooperation should be the desire to rapidly overcome the lag in priority directions of scientific and technical progress.

In assessing the prospects for CEMA-EEC scientific and technical cooperation, Candidate of Economic Sciences N. Ye. Shulyukin (Moscow State University) believes that it is mainly necessary to determine the forms of cooperation which may interest the EEC countries first of all, and then to develop them expediently. This will make it possible for them to be a factor in developing the scientific and technical potential of small and medium-sized West European firms, in extending international cooperative operation, in concentrating scientific and technical work, reinforcing integration between firms and university research centers, and in intensifying the exchange of scientific and technical information.

Candidate of economic sciences A. V. Terekhov (United States of America and Canada Institute of the USSR Academy of Sciences) dwelled on the problems of improving the effectiveness of compensation agreements with industrially developed capitalist countries. He stressed that the principal direction for improving East-West economic and scientific and technical ties is the restructuring of the economic mechanism for bilateral agreements on specialization and production subcontracting itself. It is advisable for the parties to such agreements not to take the part of contractors when the financial losses of one side automatically become profits for the other side, but to act as partners. Precise participation in the profits establishes the mechanism for joint responsibility and economic motivation of the Western partner to increase efficiency in all parts of the transaction and to transfer the most advanced technology, in spite of the artificial obstacles by the opponents of detente. Careful analysis of the implementation of our large-scale and long-term agreements attests to the urgent necessity for a shift from compensation agreements of the barter type to more developed forms of economic cooperation in the production area--by joint enterprises.

Assessing the role and place of European cooperation in the EEC's political strategy, doctor of economic sciences V. F. Zhelezova (Moscow State University) noted that economic relations between socialist and developed capitalist countries today have become the basis for sharp aggravation of antagonisms and competition among the three basic centers of capitalism, each of which is trying to make use of the objective trend toward internationalization of economic life for their interests. As the period of the 1980's has shown, the main point in relations among the three centers has been the principle: what one loses, the others exploit. The view among businessmen in the United States is widespread that West Europe and Japan are gaining from the sharp reduction in U. S. economic contacts with the socialist countries. Individual American corporations wish to have ties with the socialist countries. We have to improve the structure of our exports and the organization of foreign economic ties, in particular, and a differentiated approach both toward individual capitalist countries and individual corporations is necessary.

In accentuating attention to the role of the EEC in the West's strategic plans, doctor of economic sciences K. I. Popov (MIEP MSS SEV [CEMA International Institute of Economic Problems of the World Socialist System]) noted that the position in the new wording of the CPSU Program that "the imperialist powers seek to coordinate their economic, political and ideological strategy and are attempting to create a common front for struggle against...liberation movements" (4) may be related to the full extent to the EEC's activity. Attempts to "politicize" the EEC are being stepped up at present under the conditions of the aggravated international situation. This is clearly demonstrated by the EEC states' signing of the "Unified Europe Act" in February 1986, which essentially plans to revive vestiges of the "Cold War" against the socialist countries and take new steps to put an end to the sovereignty of West European states and subjugate them even further to the militarist policy of the United States.

Noting the importance of new initiatives by fraternal parties and states aimed at strengthening peace, stopping the arms race, and establishing a universal system of international security, including economic security, doctor of political sciences V. Nikolai (MIEP MSS SEV) pointed out that development of mutually advantageous European economic cooperation can make a contribution to bring about a return to detente, turning from confrontation to cooperation. He believes that the vast scientific and technical potential of the CEMA member countries, as well as the EEC, makes it possible to organize scientific and technical cooperation on the basis of mutual benefit. However, this presupposes first of all that the discriminatory restrictions by countries of the West which have been increasing in recent years, within the (KOKOM) framework, for example, in the field of scientific and technical exchange are rejected. The restrictions in relations with CEMA member countries adopted under pressure from the U. S. administration are detrimental chiefly to the economic and political interests of the West European states.

Candidate of historical sciences Yu. A. Matveyevskiy (USSR Ministry of Foreign Affairs) also supports the same opinion. At the same time he believes that it is necessary to gain an understanding of the position of Western Europe on the problems of relations with CEMA member countries and its economic strategy. Western Europe identifies itself with the United States somewhat, by agreeing, for example, with the policy of strict control over exports to the socialist countries. A differentiated approach is being made toward CEMA member countries. But on the whole, the EEC is attempting to follow its own line, combining cooperation with partial restrictions.

Assessing CEMA-EEC interrelationships as a factor which is conducive to overall economic and social progress, doctor of economic sciences M. K. Bunkina directed attention to an analysis of the opportunities and certain problems of social progress and antimonopolist and democratic reforms in the West European region itself. In her view, there is a direct connection between development of CEMA-EEC relations and the prospects for social progress in Western Europe. Firstly, the increasing interdependence of the groupings is an important factor in European security. Secondly, the development of a common European market and an increase in a common European division of labor will become an incentive for organizing new work places in West European countries.

At the same time, a new socialization of production creates a situation in which regional strength is in conflict with national detachments of the forces of progress. In this connection, the success of the struggle against the imperialist nature of integration depends to a considerable degree on the development of a regional counterstrategy for the workers movement and the availability of alternative programs which take into account and unite national specificity, regional characteristics, and the action of global international factors.

FOOTNOTES

1. "Materialy XXVII syezda KPSS" [Materials on the 27th CPSU Congress], Moscow, 1986, p 70.
2. See V. I. Lenin, "Polnoye sobraniye sochineniy" [Complete Works], Vol 44, p 305.
3. Ibid., Vol 41, p 164.
4. "Materialy..." op. cit., p 132.

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PROGRESS, PROSPECTS FOR CEMA ECONOMIC INTEGRATION

Moscow POLITICHESKOYE SAMOOBRAZOVANIYE in Russian No 3, 1987 pp 114-117

[Article by G. Abolikhina and O. Bakovetskiy, candidates of economic sciences, under the rubric "Answers to Questions": "New Forms of Socialist Economic Integration"; first paragraph is source introduction]

[Text] At the 42nd CEMA Session (1986) emphasis was given to the necessity of developing such progressive forms of collaboration as direct production and scientific and technical ties between economic elements of the fraternal countries and the creation of joint enterprises, associations and organizations. What has already been done in this area and what kinds of prospects exist for new paths of collaboration? (from readers' letters).

In practice, the collaboration of the CEMA member countries knows many ways and methods for effective joint solution of various economic problems and for intensifying socialist economic integration. However, today, the fraternal countries have reached a point where traditional paths are no longer sufficient for accelerating the resolution of the problems common to them. The requirements of economic development dictate a need for a creative, innovative approach, for a search for new paths of collaboration.

Direct ties between the enterprises of the fraternal countries represent one of the promising directions for developing such collaboration. The present scale of the socialization of production, the colossal growth in the list of products being produced and introduced into international trade, and the increased role of international collaboration in the further intensification of the national economy, all serve as an encouragement for expanding and intensifying such ties.

The development of direct relations provides better possibilities to know the production capacities of partners, to undertake more timely measures to raise the scientific and technical level of products being manufactured on a cooperative basis, to solve specific production problems, and to organize the exchange of experience. The direct interaction of economic units in the CEMA countries contributes to the stability and improvement of the system of the international socialist division of labor. At the same time, it does not substitute for collaboration on the state level in specific sectors; rather, it supplements it and ensures reliable and timely realization of

understandings in principle which are reached at a higher level. Direct ties are being established, first of all, in high priority areas of collaboration, as defined by the Complex Program for the Scientific and Technical Progress of the CEMA Member Countries.

Direct ties in arranging and developing scientific and technical and production cooperation are contributing greatly to increased effectiveness of the mutual collaboration of the fraternal countries. Thanks to direct contacts, enterprises are able to better coordinate their work, to save time and funds for scientific and technical and experimental design work, to make better use of engineering talent, and to achieve high qualitative indicators. The benefits of this to the partners are very clear.

It is hardly necessary to demonstrate that it is the producers and developers themselves who are in the best position to plan all details of cooperation and to make use of its possibilities in the production process, as they are the ones who know all the technical, technological, and related economic problems that arise here. Indeed, it is precisely when innovations are being born that there is a need for maneuverable, operational contacts which, to a large degree, differ from traditional foreign economic relations. Many examples can be given.

Thus, the direct relations between the ChKD-Elektrotehnika plant in Prague and the Elektrosila production association in Leningrad have helped Czech workers and engineers to more rapidly assimilate the production of air-cooled asynchronous power engines and to introduce new insulating materials and systems. To coordinate their work, the partners created a joint scientific and technical council, which meets alternately in Leningrad and in Prague on an annual basis. At it, the results of work that has been carried out are discussed and plans for the future are approved.

The Petkus enterprise in the city of Wuta (DDR) and the Voronezhzernomash plant have jointly developed a grain cleaning and drying line consisting of 15 pieces of machinery. Compared to the personnel required to man individual machines, this line affords a 4-fold reduction in labor expenditures and produces annual savings of up to 150,000 rubles. Another line -- for cleaning and drying grass seed -- was created by the designers of these enterprises in less than 3 years, whereas considerably more time is usually spent on the development of such a complex.

The results achieved by the Moldavian Floare experimental production association in collaboration with East German firms can serve as an example of the high effectiveness of direct ties. Floare produces high quality footwear in close cooperation with the Intra footwear association. In 1982, carpet production was begun at Floare, and direct relations with related factories in the DDR also were a help in setting this up. The result -- in terms of density, the best wool carpets produced in the USSR at the very lowest comparative prime cost per square meter.

Direct relations are playing an important role in the exchange of advanced experience in organizing labor and production in the CEMA countries. For example, the use of a Soviet welding method, learned by a brigade of workers

from a Berlin home construction combine at the Moscow Home Construction Combine No 2, is producing annual savings of almost 6 million marks. The introduction of technical innovations, borrowed from Soviet colleagues at the Rigaselmash plant, at the agricultural machine building combine imeni G. Dimitrov in the city of Rusa (Bulgaria), is affording an annual saving of 25,000 leva, according to the calculations of Bulgarian economists. The collaboration of the collective of the Lithuanian Leliya sewing production association with the Erfurt Sewing Combine (DDR) and the Debrecen Sewing Factory (Hungary) has made it possible to introduce technical innovations at Leliya which have provided savings amounting to more than 150,000 rubles annually.

Direct relations are producing noticeable results in collaboration within border regions. In particular, they are being actively developed in the collaboration taking place between the Transcarpathian Oblast, the East Slovakia region in Czechoslovakia, and the Szabolcs-Szatmar area of Hungary. For example, direct contacts between the Uzgorodpribor plant and the heavy machine-building plant imeni Sovetskaya Armiya in the city of Kosice (Czechoslovakia) and between Mukachevpribor and the Dukla plant in the city of Presov (Czechoslovakia) have helped to raise and bring closer together levels of production mechanization and automation and to improve the quality and competitiveness of the products turned out by these related enterprises. The successful functioning of a 336 kilometer long ethylene pipeline, joining the Klorvinil production association in the city of Kalush with a petroleum processing and an oil refining plant in the city of Leninvarosz (Hungary) serves as a clear example of the effectiveness of direct interaction by economic units collaborating in border areas.

The direct ties between producers of products and their consumers are of doubtless interest. The Hungarian Ikarus plant, for example, has direct contacts with motor vehicle enterprises in the city of Irkutsk. The Hungarian bus builders are making use of the remarks and proposals of their Irkutsk customers for improving the systems of their vehicles and for raising the quality of their products which are being supplied to the Soviet Union.

Direct ties are also being established in the field of sea transport. In particular, they have made a contribution to the creation of the Ilichevsk-Varna ferry crossing as well as to the ocean-going ferry crossing between the USSR and the DDR, the first stage of which was opened recently. Direct contacts between the partners made a large contribution during construction of the crossing and they are being utilized, as well, in its exploitation, in solving problems of improving the work organization of the people running it.

This of course does not mean that everything is going smoothly in the development of direct ties. Up until now, such ties have been arranged mainly by the ministries; they have been established, so to say, from above. Account is not always being taken of the economic interests of the partners selected and of their varying technical and technological production levels, and this in the final analysis has a negative effect on their collaboration, on the effectiveness of the direct ties. Questions of determining prices for mutually supplied units and parts and other organizational and economic problems have turned out to be difficult to solve. They cannot be decided

simply by administrative means. Consistent and purposeful work is needed here. The principles of establishing direct ties between enterprises of the CEMA countries require further development.

The development of direct ties is creating the necessary prerequisites for moving on to a subsequent, more effective level of collaboration -- to commercial, cost-accounting forms, to joint enterprises which operate on the principles of self-support and self-financing. There is already some experience in this field. Thus, the Soviet-Mongolian Erdenet ore-enrichment combine for the extraction and processing of copper and molybdenum ores has been in operation for more than 10 years -- one of the largest enterprises of this sort in the world. The Polish-Hungarian Khaldeks enterprise for the processing of coal refuse and the Polish-East German Druzhba cotton-spinning mill are in successful operation. The international Interlikhter shipping enterprise, which includes shipping companies from Bulgaria, Hungary, the USSR and Czechoslovakia, has earned a good reputation. However, up until recently, this form of collaboration has not become widespread.

The novel feature of the joint enterprises and associations which are being created today lies in their qualitatively new role in the collaboration of the fraternal countries, in their purposeful orientation toward the solution of high-priority scientific and production problems. An example of this is the activity of Soviet-Bulgarian scientific production associations in the area of machine tool building, which were established in October 1985. The Ivanov machine-tool building production association and the Moscow Krasniy Proletariy machine-tool building production association are taking part in them from the Soviet side. A state economic association of the Metal-cutting Machine Plant in the city of Sofia and the Beroye scientific-production economic combine for robot construction, in the city of Stara Zagora, are participating on the Bulgarian side. The task of these associations is to more fully satisfy the requirements of the USSR and Bulgaria for modern equipment through common efforts in scientific research and design activity and by establishing cooperation on the basis of direct ties. The mutual exchange of a broad list of articles being assembled makes possible a basic increase in production in both countries.

In December 1985, an agreement was signed on establishing the multilateral Interrobot scientific-production association. A "green light" was given to the establishment of a number of other joint plants and factories, in particular a recently created Soviet-Bulgarian enterprise for the manufacture of electronic articles for motor vehicles. Agreements have been signed between the Soviet Union and Poland on creating joint enterprises for the production of electromagnetic couplings, everyday chemical products and perfume and cosmetic items, semi-finished potato products, and a factory for the production of composite fibers.

At the present time, intensive work is being carried out in the CEMA countries to create the conditions necessary for broad dissemination of new, promising forms of scientific and production cooperation. Joint associations and enterprises as well as direct ties will become an increasingly stable element in the practice of collaboration among the fraternal countries. An important prerequisite of its further improvement was the signing of bilateral

intergovernmental agreements concerning the development of direct production and scientific and technical ties between economic elements in the USSR, Bulgaria, Hungary, East Germany, Poland and Czechoslovakia, and also on the creation of joint enterprises, international associations and organizations. Measures have been approved which are called upon to stimulate the initiative of economic units in expanding production and scientific and technical cooperation and which are aimed, first of all, at carrying out the Complex Program for Scientific and Technical Progress. All this will make it possible for the enterprises of the fraternal countries to take an even more active part in the modernization and fuller utilization of productive capacities, in conserving resources, and in the production of products which meet high world standards.

The Soviet Union ascribes great significance to the development of direct ties. Evidence of this is seen in the resolutions of the CPSU Central Committee and the USSR Council of Ministers "On Measures for Improving the Management of Economic and Scientific and Technical Collaboration with the Socialist Countries" and "On Measures for Improving the Management of Foreign Economic Relations", which were passed in 1986. They envisage creation of the economic and organizational conditions for developing direct ties and a broadening of the rights of associations, enterprises and organizations in order to permit them to be actively involved in international production and scientific and technical cooperation. In particular, they are being given the right to independently resolve all questions of cooperation, to determine the directions and specific purposes of collaboration, to select partners in the CEMA member countries, to carry out deliveries in accordance with this cooperation, and to sign economic agreements and contracts. They may also determine the economic conditions of collaboration and agree on prices for articles which are produced and services which are rendered on a cooperative basis.

Soviet associations, enterprises and organizations have been given the possibility of planning production jointly with their partners, of reaching agreement on product mixes and volumes for deliveries in accordance with their cooperation. All earnings from this (with the exception of small deductions to the ministries) remain at the disposal of the enterprises. A new system is also envisaged for temporarily assigning Soviet specialists and workers to the CEMA countries within the framework of direct ties. It will be implemented by the associations, enterprises and organizations.

With the aim of making more effective use of the results of the international division of labor and of the scientific and technical and production potentials of the countries of the socialist commonwealth, it has been recognized as expedient, to organize joint enterprises within the USSR and other fraternal countries on the basis of common socialist ownership by the participants, as well as international associations and organizations, established on the principle of maintaining national ownership, and to conduct their activities on the basis of coordinated and of common plans.

In January 1987, the USSR Council of Ministers passed a resolution "On the Procedures for the Establishment and Activities of Joint Enterprises, International Associations and Organizations of the USSR and Other CEMA Member

Countries on the Territory of the USSR". The specific conditions for the functioning of joint economic organizations are defined in it: questions of material and technical supply, coordination with the USSR state budget, the distribution of profits, the sale of output, the settlement of social problems, and others. A number of documents of a methodological character are being prepared, which will contribute to effective introduction of the new forms of collaboration among the fraternal countries.

The 27th CPSU Congress, noting the importance and necessity of direct interaction between enterprises and sectors, of strengthening direct economic ties, and of creating joint scientific and production associations, referred to them as the sprouts of new forms of socialist integration. The improvement and development of these forms is opening new prospects for the further all-round expansion of economic relations between the fraternal countries, for accelerating the solution of their common problem of intensifying production, and for strengthening the technical and economic invulnerability of the countries of the socialist commonwealth.

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'BOURGEOIS' CONCEPT OF CEMA ECONOMIC COOPERATION COUNTERED

Moscow OBSHCHESTVENNYYE NAUKI in Russian No 1, Jan 87 pp 179-183

[Article by E. Sheynin, candidate of economic sciences, scientific secretary of the V [5] Work Group of the "International Socialist System" MPK [Problem-Solving Committee on Multilateral Cooperation of the Academies of Sciences of Socialist Countries]: "Criticism of the Bourgeois Concept of Economic Cooperation Among CEMA Countries"]

[Text] The international collective, which includes social scientists from the NRB [People's Republic of Bulgaria], the VNR [Hungarian People's Republic], the GDR, the MNR [Mongolian People's Republic], the PNR [Polish People's Republic], the USSR and the CSSR, has completed its work on the monograph "Criticism of Bourgeois and Revisionist Concepts of Economic and Socio-Political Development of CEMA Member Countries." This work was carried out in accordance with a plan by the Problem-Solving Committee on Multilateral Cooperation of the Academies of Sciences of Socialist Countries (MPK) dealing with the topic "The International Socialist System." Within the committee (in the V work group) a subgroup was created to deal with the subject, "Criticism of Anti-Marxist Views on Questions Dealing with the International Socialist System."⁽¹⁾ The members of this subgroup comprised the collective of authors of this book.

Problems in relations between CEMA countries in the area of economics occupy a central place in the monograph. As we know, these problems long ago became the object of a pointed ideological battle in the international arena. Moreover, the following tendency can be observed here--the weightier the results of economic integration for all partners in socialist economic integration, the more active the attempts of reactionary bourgeois politicians and ideologists to falsify the theory and practice of this process.

The scientific report, "Critical Analysis of the Views of Bourgeois Idealists on Socialist Economic Integration," became the conceptual basis for the corresponding section of the monograph. This document, which was prepared by economists of the NRB, GDR and USSR, was widely discussed at a symposium organized by the working subgroup.

In the course of discussions at the symposium it was noted that bourgeois criticism of socialist economic integration had undergone considerable

evolution--from complete denial of the possibilities of this integration to a transition to an analysis of its individual aspects and real processes. However, this was a non-scientific, tendentious analysis of the fundamental and basic principles of development of the socialist economy and the international socialist economy as a whole. Here bourgeois authors speculated about the real problems that arise in the course of the development and strengthening of integration, making this problem absolute. For this reason, it was noted at the symposium, it is essential to focus special attention on bringing to light the inconsistencies in the methodological base of Western interpretations of the integration of CEMA countries and their common premises. It is no less important to combine the criticism of bourgeois and revisionist theories with a positive elaboration of urgent problems related to the economic cooperation of fraternal countries.

As the book shows, Western critics ignore the objective foundation on which the process of interweaving national economies of socialist countries takes place--the similarity of their social structures, the unity of their end goals and thus the community of national and international tasks.

Not understanding (or not accepting) the special features of international relations inherent in socialism, bourgeois authors do not see (or do not want to see) the basic differences between capitalist and socialist integration and raise Western Europe's Common Market as a standard. The monograph convincingly demonstrates that there can be no identical principles and mechanisms of integration processes occurring within social systems which differ from each other in a radical manner.

In mechanically transferring the laws and tendencies that prevail in the world's capitalist economy (including the antagonism between the "center" and the "periphery") to relations among CEMA countries, bourgeois economists have for many years now been "predicting" the exacerbation of economic conflicts within socialist cooperation. Here special attention is focused on relations between the USSR and other socialist countries.

As the readers of the monograph will see, the interpretation of these relations is extremely contradictory in Western literature. Some works confirm that integration contradicts the interests of the USSR, which "is losing a great deal" in trade with CEMA partners. On this basis the conclusion is drawn that expanded ties with the capitalist West would answer its needs better. On the other hand, other authors try to prove that integration is advantageous only for the Soviet Union in that it secures its "economic supremacy."

Another theme that is actively developed in Western literature is the comparison of "rich" and "poor" CEMA countries. It is asserted that the presence within the council of countries with different levels of economic development gives rise to insurmountable conflicts among them and thus condemns the integration process to failure. It is true that some authors admit the possibility of bringing the economic levels of partners closer together, but only by means of decreasing the level of economic development of the more industrialized states.

The comparison and demonstration of the evolution of various bourgeois concepts of socialist integration and the bringing to light of their internal contradictions enable the authors of the monograph to confirm their conclusion concerning the primordial political preset nature and subjectivism of these concepts. To a certain degree all of them reflect the striving of imperialism to "soften" socialist cooperation, to bring about the "erosion" of relations among fraternal countries and to break their economic and scientific-technical potential.

The extensive factual material presented in the monograph also serves to unmask the bourgeois falsifiers. For example, the contribution of the USSR in providing dependable supplies of fuel-energy resources for other countries within the socialist community is characterized, and the significance of stable Soviet orders, which are intended for the long-term and which help to successfully develop the traditional branches of industry of partners and to organize mass production of contemporary products there, are brought to light.

The complete data that is presented in the book attests to the fact that first of all, cooperation among CEMA countries facilitates the equalization of their levels of economic development and secondly, that this kind of equalization does not occur at the cost of slowing down the economic dynamics of the most industrialized partners. On the contrary, the pace of growth is accelerated thanks to the utilization of the advantages of international socialist division of labor, the recruitment of new countries into this process, and the strengthening of collective positions of real socialism in international economic ties.

Naturally, the processes of bringing together and equalizing the levels of economic development are affected by specific, ongoing national interests, which are objectively based first and foremost on existing economic potential as well as on historical and natural-climate conditions of specific countries. Differences in these interests are interpreted by bourgeois economists as the lack of compatibility between the goals in socialist economic integration and the interests of individual partners. But as we have already stated, there are no antagonistic conflicts whatsoever between the long-term national interests of CEMA countries and the general interests of socialist competition. Moreover, there is a commonality of interests which is the decisive objective condition for expanding socialist economic integration. The main subjective factor in integration and in strengthening its effect on the process of equalizing the levels of partners is an improvement in the economic mechanism of cooperation among CEMA countries.

Bourgeois authors have been giving a great deal of attention (especially in recent years) to the problems of the CEMA integration mechanism. As shown in the monograph, their efforts are directed at discrediting plan methods for regulating national socialist economies and consequently, their use for the development of integration of CEMA countries. They question the possibility of strengthening this integration on the basis of improving cooperation in the area of plan operations. Here some Western authors assert that international division of labor is possible only under conditions in which free competition is supreme and that countries are in no condition to efficiently implement the integration of national economies. On the basis of these assertions they draw

the conclusion that it is necessary to eliminate centralized planning and to replace it with various models of "market integration." Other authors "recommend" the use of a "decentralized planning system with market elements" and the creation (on the model of the EEC) of various national organs for administering integration processes by using different variants of the market integration model.

Meanwhile, as convincingly demonstrated in the book, the coordination of national-economic plans of CEMA countries has become an effective way to concentrate the material, financial and labor resources of these countries with the goal of optimally utilizing their total production and scientific-technical potential. Long-term practice in coordinating national economic plans convincingly refutes the assertion of bourgeois economists that socialist methods of economic administration create insurmountable difficulties on the path toward integration. Of course, this kind of coordination must be raised to a new, higher qualitative level under conditions of accelerated socio-economic development on the basis of scientific-technical progress. The scientific generalization of work to coordinate national economic plans of CEMA countries in 1986-1990 enables us to draw the conclusion that real practice is moving in a direction contrary to the "prescriptions" of bourgeois authors.

The assertions of Western economists that within the plan mechanism of socialist integration there is an absence of economic instruments that are essential for the development of international production specialization and cooperation (MSKP) and of objective economic criteria of effectiveness also do not stand up to criticism. The international socialist division of labor is interpreted here as the result of compromise among partners who do not wish to agree on any specialization in production that would diminish the economic independence they have achieved. In trying to prove the "unsuitability" of the MSKP for individual CEMA countries, bourgeois authors deny the existence of an objective basis for its development under conditions of socialist economic integration. These conclusions are often supported by the assertion that the absence of a market mechanism within CEMA makes it especially difficult to determine a model of specialization which would be most desirable economically and that the country that is the main producer of a given product derives the benefit from the MSKP. The point of the presentation of these various theses is evident--to propose as an alternative the expansion of relations with industrially-developed capitalist countries. The predictions of bourgeois authors as regards the MSKP can be refuted by the practical experience of recent years. Growth in the pace of MSKP development and the activization of efforts by CEMA countries to create and introduce new forms of joint operations in the given sphere are obvious.

As has already been stated, Western interpretations of economic relations between socialist countries is the central theme of the international monograph, "Criticism of Bourgeois and Revisionist Concepts of Economic and Socio-Political Development of CEMA Member Countries." The book devotes considerable space to a critical analysis of the anti-Marxist theory of socialist democracy and to bourgeois and revisionist views on the socio-political development of individual countries participating in socialist cooperation. A special review would be needed in order to become familiar

with the corresponding divisions of the monograph written by our colleagues-- political scientists, historians and others. Here I would like to emphasize that for international economists the experience of cooperating with representatives of related disciplines was very valuable. This type of cooperation facilitated a more systematic comparison and study of those common premises and arguments which are utilized by contemporary critics of real socialism as well as the development of a comprehensive approach to analyzing anti-Marxist interpretations of social development.

The experience that has been amassed will be utilized during the development of a new theme that is included in the "International Socialist System" MPK plan for 1986-1990--"The Formation of a Strategy for Economic Cooperation Among Countries in the Socialist Community (International Experience of Developing Theory and Practice)". In the course of research it is planned to generalize the results of the development of national concepts of socialist countries with regard to the formation and implementation of mutually agreed-upon strategies for economic cooperation and to thoroughly analyze the common and specific features of approaches to these strategies at individual stages of history. It is planned to give special attention to the views of social scientists of socialist countries regarding the forms and methods for implementing the decisions of the Economic Session of CEMA Member Countries on a high level and the Comprehensive Program of Scientific-Technical Progress Among CEMA Member Countries Until the Year 2000.

In 1987 a symposium is planned on the topic of "Enriching the Content and Developing the Forms of Coordination of Economic Policies of CEMA Member Countries (An Analysis of Historical Experience)." The reports and speeches of its participants are to be published in a separate journal. The symposium will become the first stage in preparing an international monograph, the goal of which will be to follow the genesis of theoretical elaborations dealing with questions of cooperation and the course of their implementation in the practical activities of CEMA countries and to thereby facilitate an improvement in the mechanism of this cooperation.

FOOTNOTES

1. The coordinator of the the theme's development was the Academy of Social Sciences of the Central Committee of SEPG [Socialist Unity Party of Germany].

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ARTICLE ON ROLE OF CURRENCY MECHANISM IN CEMA, RESPONSE

IBEC, Convertible Ruble

Moscow EKONOMICHESKAYA GAZETA in Russian No 11, Mar 87 p 20

[Article by G. Rybalko, deputy chief of a department, USSR Ministry of Finance, under the rubric "Foreign Economic Ties": "The Active Role of the Currency Mechanism"]

[Text] The present improvement in economic interaction within the CEMA framework presupposes that the currency and financial mechanism is stimulated as well.

At the same time, along with specific practical measures of an urgent nature today which are currently being worked out, it is advisable to devote greater attention to problems of the overall long-term orientation for comprehensive restructuring of the CEMA currency mechanism as well. One of these problems is improvement in the reciprocal currency calculations among countries of the community. The observations expressed in this article on this matter are controversial in a specific sense, of course.

Initially, the CEMA member countries carried out reciprocal accounting in the form of bilateral clearings, that is, as noncash transactions by crediting mutual payment demands. In 1964, countries of the community shifted from bilateral clearings to a system of multilateral transactions in which a socialist collective currency created for this purpose--the transfer ruble--began to be used.

The positive features of the system of mutual transactions in transfer rubles are indisputable: transactions are made promptly enough, they require no reserves in convertible currency, and current credit requirements are met in a timely manner with their help.

But the present mechanism for using a collective currency provides evidence that stimuli to ensure the highest level of quality for the commodities delivered reciprocally and to reflect the quality in contract prices in a

sound manner are being relatively weakened; multilateral payments are being delayed and bilateral payments are being balanced artificially, and not only for the total of all commodity turnover but for individual groups of goods, taking the degree of their scarcity into consideration.

As one of the ways to overcome these shortcomings, economists are examining the possibility of introducing currency convertibility for the transfer ruble. This problem continues to become more critical, especially under conditions in which direct ties between enterprises and associations in the CEMA countries are being developed. The role of the currency mechanism based on a socialist collective monetary unit, in our opinion, will become much more effective when the new economic operation conditions lead to the point where transactions in the collective currency will become more advantageous than in any convertible currencies. Thus the currency mechanism, with only the specific influence inherent in it, will be actively retaining commodities which are competitive on the world market in mutual exchange among CEMA member countries.

But it goes without saying that introduction of convertibility for the socialist collective currency is one of several ways, but not the only way, among practical steps to improve the CEMA currency mechanism. Reorganization of the mechanism for emission of the transfer ruble, improvement and simplification of the rate of exchange system and noncommercial transactions, and even now, more extensive use of the national currencies of CEMA member countries in their mutual cooperation, including direct relationships, are also important.

THE TRANSFER RUBLE: THE EMISSION MECHANISM

It seems possible, in our view, to improve the mechanism in effect for emission of the collective currency within the framework of the International Bank for Economic Cooperation. Multilateral transactions in transfer rubles embody the concept of a multilateral clearing, where the collective currency is used as an accounting unit. Under these conditions, the volumes of monetary emission continuously "fluctuate"--they automatically increase to the extent that imbalance in payments is increased and decrease when they are equalized. Theoretically, this can lead nearly to the complete disappearance of the collective currency from circulation if payments are balanced (to the extent of the relatively small amount of internal assets in the IBEC [International Bank for Economic Cooperation]).

The similar nature of a monetary emission, it appears, corresponds to the specific requirements of centralized multilateral credit for payment demands. However, under these conditions a shortage of payment funds may make itself felt in practice, for example, when transfer rubles are used outside the area of mutual current transactions among IBEC member countries, particularly in the extension of investment credit.

As far back as the period when the IBEC was established, the urgency of conserving was very likely being discussed, and today the possibility of developing a more efficient mechanism for emission of the collective currency is under discussion. The point is that its initial sum, taking into account the approximate actual requirements for payment transactions, and subsequent

emissions would be distributed among the IBEC member countries in accordance with a specific principle, according to the proportion in mutual commodity turnover, for example. Experience confirms that under current conditions the emission of socialist collective currency is not at all obligatory to have the entire sum to provide for a commodity transaction, as it was believed when the transfer ruble was created, that is, it is essentially based on the mechanism of a commercial draft. It appears that the nature of collective currency itself and the appropriate contractual obligation of the participant socialist countries guarantee full confidence in it.

And under the new form of collective currency emission, an efficient system of centralized current accounting of mutual payment demands by participating countries will be maintained in the IBEC, inasmuch as time, currency reserves and operating expenditures are saved in the process. At the same time, under the new form of collective currency emission, it would be simpler to implement along with a check and bank note emission, which will facilitate extensive use of the collective currency not only in interbank transactions but in commercial ones as well, including direct relations between enterprises.

The problem of the official gold content of collective and national socialist currencies, which is directly related to the problem of the evolution of the monetary role of gold, is still controversial, but of practical importance.

Experience shows that under current conditions it is essentially impossible to provide for practicable exchange rate relationships on the basis of official gold parities. For this reason, in our view, it is advisable to utilize the exchange rate relationships already in effect, which reflect their real purchasing power, as the official mutual exchange rates for CEMA countries. At the same time, it is necessary to improve the methods for setting them and making them more accurate on a current basis, as well as to establish conditions for expanding the area for their efficient and mutually advantageous application, including at the level of production enterprises and associations.

NEW APPROACHES TO RATES OF EXCHANGE

The use of exchange rates for noncommercial payments in the CEMA countries also has been determined by the characteristics of domestic price setting to a large extent. The multilateral mechanism for their establishment, which was introduced in 1964 and has been functioning for over 20 years without any substantial changes, needs improvement and simplification, in our view.

The method used by CEMA countries to calculate mutual noncommercial rates of exchange takes into account--and very scrupulously--the relationship and dynamics of only retail prices. In addition, in recalculating the sums of noncommercial payments into transfer rubles, the deviation of the average level of retail prices from foreign trade prices is taken into account additionally. Such a deviation, incidentally, is not taken into account anywhere in the world in exchange rate relationships, although it may be even greater than in the CEMA countries.

The complexity of the current mechanism for noncommercial accounting is justified by the aspiration to provide for maximum equivalence in transactions and the interests of the citizens and the countries. But the unavoidable conditional character of any quantitative calculations of the indicator of currencies' purchasing power is not always taken into account to the proper extent. The characteristics of this mechanism evidently were affected when it was established by the critical need for that period to maintain equivalence in noncommercial accounting--regardless of the fluctuation of official exchange rates (according to gold content)--and by the fact that noncommercial operations were essentially the only area where the national currencies of CEMA countries were used practically in calculations.

The well-founded expansion--and not to the detriment of the collective currency--of the scope and intensity of use of national currencies in economic cooperation by the CEMA countries, including under the influence of extended direct relations, and especially the forthcoming shift to single national exchange rates put the need for a new approach to noncommercial and other currency transactions in the CEMA region, their simplification and universal application, and a well-founded reduction of currency restrictions on the agenda. This could be done gradually, taking into account the opportunities and practical importance of the appropriate measures. For example, reducing restrictions on reciprocal exchange of national currencies is more important primarily for noncommercial operations, exchange of commodities near borders, and support for production ties. In ordinary export-import operations, currency calculations can be made thereafter principally in the collective currency.

The interaction of exchange rates and price setting is one of the most complex problems. In principle, the rate of exchange reflects the relationship of average price levels, that is, the purchasing power of currencies, which is formally sufficient to identify the real rate. However, this is not at all sufficient to really utilize it in calculations and cost comparisons. Such an opportunity for sound practical use of the exchange rate is determined to a considerable degree not so much by the average level as by the structure of national prices. Cost accounting relationships in foreign economic activity are complicated significantly when the structure of domestic prices is such that the average (rate) correlation is not representative for individual sectors and trading groups, particularly for machinery, raw materials, foodstuffs, and finished products. Under these conditions, a system of special coefficients reflecting the specific correlation of prices for the appropriate trading groups has to be used as a temporary measure in addition to a single real rate in practice. This cannot but complicate cost accounting relationships, economic analysis and the equivalence of transactions, including in direct contacts.

The possibility of specific accounting of foreign trade price proportions in domestic price setting is seen as a way out in the future. In implementing practical measures in this direction in the course of improving domestic price setting, there is no doubt that the sum total of economic conditions and current and prospective national economic objectives should be taken into

consideration. Calculation in domestic price setting of well-founded, progressive and stable price relationships for the world socialist market would also meet the objective of achieving a higher world level of productivity in national labor.

This would also meet the objective of bringing the structure of national prices in the CEMA region closer together. At present, because of substantial differences in the ratios of domestic prices, their utilization in international economic transactions, including direct contacts, is complicated. For individual enterprises, their cost accounting indicators--profit and profitability--may vary substantially from the national economic assessment under these conditions and thereby make it more difficult to apply common criteria in domestic and foreign operations.

Finally, under current conditions of developing mutual direct production and other international ties in the CEMA region, an increase in professionalism and possession by a broad range of economic managers of the necessary minimum knowledge and specific skills in utilizing exchange rates, accounting and credit facilities in the independent foreign economic activity that is forthcoming has to be considered a crucial practical objective, it appears.

Readers' Response

Moscow EKONOMICHESKAYA GAZETA in Russian No 22, May 87 p 23

[Response by readers to article "The Active Role of the Currency Mechanism" under the rubric "They Respond to EKONOMICHESKAYA GAZETA"]

[Text] The article touches upon the critical problems of the overall restructuring of the currency and finance mechanism of CEMA member countries. It points out with good reason that resolution of a number of problems related to the functioning of collective currency, including the emission of the transfer ruble and more active utilization of national currencies in cooperation, is urgently necessary.

The problem of developing the appropriate economic prerequisites in the CEMA countries for more effective examination and coordinated solution of the question of restructuring the currency-finance mechanism should have been covered in somewhat more detail in the newspaper article.

Considering the great importance of resolving the problems of accounting and credit relationships among the CEMA countries, including among their economic organizations, in light of current requirements, we believe it is advisable to have materials on these problems published regularly.

[Signed] A. Belichenko, chairman of the board, International Investment Bank.

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In our opinion, the article is of definite practical interest, taking into account the necessity of improving economic interaction within CEMA and stimulating the currency and finance mechanism.

The author devotes considerable attention to analysis of the shortcomings of the system of mutual transactions in transfer rubles and suggests ways to overcome them. In particular, the way that the question of introducing currency convertibility for the transfer ruble and improving the mechanism for its emission and the relationships of the national currencies of CEMA countries is formulated is worthy of approval. The discussion begun in the article is very timely and will be of help to those persons engaged in practical work in resolving the tasks ahead of them.

[Signed] A. Movchan, deputy chief of the GVEU [Economic Currency Main Administration], USSR Gosbank.

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ADMINISTRATION OF BLOC SCIENTIFIC-PRODUCTION COOPERATION

Moscow PLANOVOYE KHOZYAYSTVO in Russian No 4, Apr 87 pp 23-30

[Article by A. Leznik, candidate of economic sciences: "Administration of International Scientific-Production Cooperation Among CEMA Member Countries"]

[Text] An important economic task facing the USSR and other CEMA countries at the present time is the intensification of economic development on the basis of the mastery of leading achievements of scientific-technical progress. In connection with this the more active utilization of an international socialist division of labor and scientific-production cooperation will be additional factors that will contribute to achieving the established goal.

At the economic conference of CEMA members (June 1984) it was planned at the highest levels to direct joint cooperation into the gradual reorganization of production structure for the purpose of meeting the needs of scientific-technical progress, of leading to a mutual complementariness of branch production complexes, and of eliminating unjustified overlapping in the development of individual branches and types of production. This should encourage a better supply of raw materials, fuel, food products, modern machinery and equipment and other items for countries. The production associations and organizations of various countries will be more extensively tapped for direct economic ties both in production as well as in the implementation of planning-design development, the exchange of production experience and so forth with the goal of utilizing reserves for increasing effectiveness in cooperation in order to deal with the tasks that stand before these countries.

At a Moscow working meeting of heads of fraternal parties of CEMA members (November 1986) special attention was also given to further strengthening relations within the economic sphere and to the utilization of new, more progressive forms of economic and scientific-technical cooperation in the interest of accelerating socio-economic development and of improving the well-being of peoples.

The basic directions for cooperation between socialist states in the economic sphere, which were coordinated at the highest levels, first of all includes a radical restructuring of economic cooperation on the level of enterprises and associations in the form of scientific-production cooperation. Taking into

account that this form of cooperation is an integral link in the entire complex of foreign economic ties it has been recognized as expedient to develop a general state concept of foreign economic ties. It will replace various types of concepts, programs and predictions dealing with the development of foreign economic ties that were previously developed by central departments, branch ministries and scientific institutions of various kinds.

The national economic concept of foreign economic ties must be closely related to the Comprehensive Program of Scientific-Technical Progress of CEMA Member Countries Until the Year 2000, to a similar national program and other plan documents developed in the country. It could consist of individual interrelated divisions such as international specialization and cooperation in production in a complex with applied scientific-technical cooperation, the building of projects earmarked for economic purposes through the joint efforts of interested countries, the creation of joint firms, foreign trade ties and others.

In developing the aforementioned idea every branch should work through questions that deal with economic and scientific-technical cooperation with bloc countries for a period of 15-20 years as an integral part of large-scale programs such as energy, food, improved machine building and others. This will serve as the basis for coordinating the state plans of the USSR and fraternal countries on a branch level. The implementation of specific measures will be carried out in the course of production cooperation by means of direct ties between the enterprises and associations of bloc countries. This type of loose system of plan organization of cooperation, which encompasses mutual ties at all levels of administration of economic operations, will comprise the strategy for foreign economic ties in the USSR.

At the 27th CPSU Congress it was stated that "the core of all this work will be the systematic implementation of the Comprehensive Program of Scientific-Technical Progress of CEMA Member Countries Until the Year 2000. Today the center of integrated operations is being shifted to joint assimilation of the latest scientific-technical achievements and to the development of large-scale cooperation in all branches of the national economy and first and foremost in the manufacture of modern types of machines and equipment." (1)

The implementation of this direction will require the creation in each country of the necessary organizational-economic conditions contributing to the development of effective direct ties between head scientific-technical organizations, production associations and enterprises in developed countries.

The CPSU Central Committee and USSR Council of Ministers have passed a number of special resolutions on radically improving foreign economic ties. It is planned to increase economic incentives for Soviet production associations and enterprises with regard to strengthening direct cooperative ties with related enterprises of CEMA countries. The indicated measures touch almost all aspects of relations between Soviet and foreign enterprises and associations--from selecting partners from among CEMA members to sending specialists to those countries with the purpose of solving specific problems of cooperation. In particular, the enterprise has acquired the right (and the corresponding incentives) to recruit foreign partners in order to complete a plan if for

some reason there is a shortage of production capacities or some supply networks, if there is inadequate design or technological preparation of industry, and so on.

One of the main hindrances to the successful development of international economic integration in the production sphere was the organizational and economic separateness of our industry and foreign trade. In essence, two autonomous sectors have developed, both involved in foreign economic activities--on the one hand, the Ministry of Foreign Trade and the USSR State Committee on Foreign Economic Ties with their cost-accounting, effective subdivisions which carry out foreign trade functions and do not have their own production base, on the other hand--export facilities of industrial ministries which have been deprived of the right to enter foreign markets independently or to try to solve trade problems together with foreign partners.

The aforementioned sectors are economically separate and isolated. Each has a special system of planning, economic incentives, price formation, accounting and so on. A natural result of this kind of separateness is the nonconcurrence of economic interests. Often it was not advantageous for an industrial enterprise to manufacture a particular product for export, whereas on the contrary for the foreign trade association it was extremely advantageous, and without considering the interests of the producer the trade association would order it to manufacture certain products and to ship them to the foreign consumer. If for some reason (non-conclusion of contracts, changes in technical conditions, changes in standards, address change of the customer, lack of agreement on prices and so on) the foreign trade association altered or cancelled an order, it bore no material responsibility toward the manufacturer. Separateness had an especially unfavorable effect on industry and foreign trade within the sphere of scientific-technical and production cooperation.

Cooperation presupposes close reciprocal ties between partners and direct decision-making by them as regards the entire complex of questions involving cooperation, including trade. For this reason in relations between industrial enterprises and foreign trade associations as regards scientific-technical and production cooperation a decision was made to move away from the system of orders and to make a transition to equal contractual relations. Moreover, beginning in 1987 the right to independently carry out import-export operations has been given to over 20 ministries as well as 70 large associations and enterprises. With the goal of adhering to national interests, the Ministry of Foreign Trade and GKES [State Committee of the Council of Ministers, USSR, on Foreign Economic Relations] have been given the responsibility of controlling the implementation of foreign trade relations.

In this way, the measures taken in this area will help us to remove artificially-created conflicts, which in turn should facilitate a more accelerated and effective development of international scientific-production integration.

One of the important measures foreseen by a resolution by the CPSU Central Committee and USSR Council of Ministers, "On Measures to Improve the Administration of Economic and Scientific-Technical Cooperation with Socialist

Countries," was to increase economic incentives and the independence of enterprises and associations as concerns the development of export and the revitalization of the production base.

For many years production output for export purposes was stimulated by payments of bonuses for the timely fulfillment of the export plan. Enterprises were also allocated a certain percentage of foreign exchange proceeds (in converted rubles or in freely convertible currency) in order to acquire the necessary production materials and equipment abroad. As for bonuses, they were tangible only if the proportion of export production in total production volume was 20 percent or more. However, in the great majority of enterprises it did not exceed 3-5 percent, and for this reason such bonuses did not provide perceptible incentives. Allocations of foreign currency also did not provide incentives because first of all they were insignificant and secondly, their use was limited by various instructions which for all practical purposes excluded the purchase abroad, especially in capitalist countries, of the equipment, materials and so forth needed by the enterprise. Moreover, the foreign currency that was not used during the ongoing plan period was withdrawn into the state budget.

Under the new conditions in accordance with the resolution of the CPSU Central Committee and the USSR Council of Ministers, "On Measures to Improve the Administration of Foreign Economic Ties," funds for the allocation of foreign currency are being created on the level of the enterprise and they are earmarked for financing export-import operations. The resources in these funds will be used to procure, either independently or through foreign trade organizations, equipment (materials) on the foreign market that are essential for technical reequipping and for carrying out scientific-research and experimental-design work. If the currency is not utilized for whatever reason during the plan period, it is not subject to immobilization by a higher-standing organ. The currency fund will be used according to the orders received by the enterprises and associations and will be included in full in the import plan and implemented as a priority. This is very important because inadequate plan guarantees of orders for enterprises and associations decreased their interest in export development.

With the transition in 1987 by a significant number of enterprises and associations of a number of ministries to self-financing, the problem of selecting partners for cooperation becomes very important. Moreover, for many enterprises and associations the establishment of direct contractual ties with foreign enterprises can turn out to be preferable even under circumstances in which prices for cooperative goods are somewhat higher than domestic wholesale prices. This is based on the fact that we have a shortage of a number of types of equipment, that the system of material-technical supply is insufficiently efficient and flexible and that at present the directive of the 27th CPSU Congress to develop wholesale trade by using the means of production is still being implemented poorly. When necessary the producer of the end product has the right to make use of enterprises of third countries to supply raw materials, building materials and individual assemblies. In this case payment can be made on a compensatory basis with deliveries of batch goods and modern machinery and equipment.

With the provision of greater rights for Soviet enterprises and associations as concerns the development of direct foreign cooperative ties there are real prospects for strengthening socialist economic integration.

The complete utilization of their rights by enterprises in cooperating with foreign partners will depend to a large extent on how much the international mechanism for administration of production and scientific-technical ties corresponds to new tasks for strengthening economic integration.

In recent years in practically all CEMA countries enterprises and associations have been given greater rights to make economic decisions both within their respective countries as well as in relations with foreign partners, especially in the area of scientific-production cooperation on the basis of direct ties.

At the same time, little has changed in the international mechanism for administration of cooperation. The coordination of state plans of economic and social development primarily encompasses, as before, the sphere of exchange of products which are in short supply in the particular country, and has little to do with the production sphere. Joint planning for individual types of production has not yet been developed as it should be. Under the new conditions it is planned to significantly expand joint planning for cooperating facilities, and for this we will need to work out many methodological questions. The situation involving price formation and the financial accounting mechanism is also unsatisfactory. In general the entire international system of money and goods relations still does not encourage the effective development of direct scientific-production ties.

Moving the center of gravity of integration into the sphere of material production and of scientific-production cooperation requires considerable changes in the mechanism of joint planning operations, especially in coordinating state plans. Coordination must become the main instrument by which socialist states implement economic policy. The most important task in coordinating plans on the level of central planning organs involves the development and coordination of ways to deal with large-scale comprehensive economic problems requiring a joint decision on a priority basis from the point of view of accelerated economic development and fulfillment of the socialist policies of countries. As applied to the stage of cooperation extending to the year 2000, these are first and foremost problems arising from a comprehensive program of scientific-technical progress within CEMA, as well as fuel-raw materials, energy, food and other programs. Balancing reciprocal trade will retain its significance. As for methods for solving large-scale overall problems, here we can use tried and true methods such as participation in the building of large economic projects on the territories of other countries (with subsequent compensation by means of the delivery of products from these projects) or the issuance of credit, including in free currency, and other means.

At the same time under the new conditions we need precise coordination of capital investments in the production sphere with the goal of avoiding unjustified overlapping in the development of individual branch and interbranch complexes. We should also expand the utilization of the whole-program method, especially in multilateral plan coordination. This will

enable us to concentrate material and financial resources in dealing with complicated large-scale problems arising from the cooperation of fraternal countries. Moreover, the process of coordinating plans will depend on the directions of economic development and changes in the economic mechanism of CEMA countries, because if these elements are not coordinated with joint plan operations, these operations lose their purpose.

Joint planning operations within the socialist bloc begin with the coordination of economic policies. These policies are corrected with a consideration of the resource and financial potential of individual countries at the stage of coordination of five-year plans and are finalized and implemented in the course of the development of a broad network of coordination and specialization on the level of primary economic links. Fraternal countries have recognized it to be expedient to carry out joint planning of cooperative production for this purpose.

Work in the given direction is only beginning and still involves many unsolved problems. Thus, it appears to be expedient to have, at the basis of coordinated operations between enterprises or associations of different countries, a joint five-year plan for the development of cooperative production that is oriented toward an agreement on international scientific-production cooperation concluded on the enterprise level. As a rule, this kind of plan must be developed on a bilateral basis and must include solutions to the following problems: development and improvement of production with the goal of more fully satisfying the needs of partners for the corresponding types of products; overall improvement in production effectiveness and labor productivity; extensive application of the achievements of science, technology and progressive experience by enterprises of participating countries; the manufacture of high-quality products, the assimilation of manufacturing of new products which are competitive on international markets; the efficient use and increase in effectiveness of capital investments, a curtailment in the time it takes to put fixed capital into operation and complete utilization of production capacities; decreased production costs and increased production profitability. Coordinated plans can include the following independent divisions: production tasks; tasks relating to scientific-technical and planning-design production preparations, including standardization; tasks relating to the development of production capacities; material-technical supply; reciprocal delivery of products, including possible export (import) to third countries.

The plan for coordinated production tasks is directed at satisfying the needs of cooperating enterprises for specific products. It is composed in natural terms with the distribution of tasks to manufacturing plants of participating countries. Its indicators are calculated with a consideration of existing production capacities and of indicated measures for their development.

The plan of coordinated tasks involving the scientific-technical preparation of facilities can be developed according to the following indicators: assimilation of new types of products and improving product quality; introduction of progressive techniques, production mechanization and automation; scientific-research and experimental-design work.

The plan of coordinated tasks dealing with the development of production capacities includes measures that are directed at increasing production capacities and fixed production capital, including by means of financing capital investments of the country which is the partner in construction.

The plan for material-technical supplies can specify which basic material resources, as well as equipment, machines and other types of products are needed. An account of a production unit's need for basic material resources is essential in order to achieve balanced production, a more complete integration of the production volumes indicated in the plan with material-technical resources, and the effective and complete utilization of raw materials and material.

The plan for the reciprocal delivery of products is developed in relationship to the plan dealing with fixed production tasks and with a consideration of the needs that have been agreed upon in the contract on international production cooperation. It is composed on an annual basis with a breakdown by quarters, and in some cases--by months. When necessary it can specify the export of products to third countries or the import of raw materials and complementary products from them.

Of course, joint coordinated plans will not be directive in nature, and they are developed only within the framework of agreements on international scientific-technical and production cooperation.

The constant search for methods to continue to improve the coordination of state plans of CEMA countries and the tendency to strengthen the multilateral nature of coordination have resulted in the necessity to develop a Coordinated Plan of Multilateral Integration Measures. This type of plan was first worked out for the period 1976-1980 and consisted of four sections, each of which encompassed a specific group of measures. The measures contained in it reflected the various forms of cooperation (the building of enterprises through the joint efforts of interested countries, the organization of an international geological exploration expedition in the MNR [Mongolian People's Republic] and others). If we speak about the methodology for developing the given plan, it includes individual multilateral agreements on cooperation in specific areas of the economy which were selectively signed or were ready for signatures. Thus, the Coordinated Plan of Multilateral Integration Measures was objectively an informational document and hardly fulfilled a plan-coordinating function at all, i.e. namely that function for the sake of which it was created.

In our opinion, the aforementioned plan must describe the development of coordination of state five-year plans on a multilateral basis and must be a type of instrument for implementing the most important integrated measures. It could include coordinated measures that reflect agreements on intermediate- and long-range cooperation on important joint economic projects. Here we must know in greater detail about the resources available in each individual participating countries. Thus, the plan would fulfill its inherent plan-coordinating functions and on this basis it would be possible to conclude multilateral and bilateral agreements on cooperation.

Among the measures noted at the the 42nd CEMA Session to improve the administrative mechanism was the necessity to examine questions related to the development of economic instruments, including price formation, currency-financial relations and contractual-legal forms.

Questions of price formation under the new conditions of cooperation among CEMA countries are particularly important. For the first time the enterprises of various countries, having been given the corresponding rights, are participating directly in international economic relations as concerns the production and exchange of products. For them the economic advantages of such ties, implemented by means of the mechanism of price formation, will be of primary significance.

In the Soviet and foreign press of CEMA countries the problem of improving foreign trade prices has been under discussion for many years. CEMA organs continue to seek out mutually-acceptable decisions in this area. The principles of price formation which were developed in 1958 for trade among CEMA countries are obsolete and do not reflect the varied nature of economic relations, despite the fact that some changes have been made. The imperfection of price formation in the areas of scientific-technical and production cooperation on the basis of direct ties between enterprises and associations is especially perceptible.

Foreign trade contract prices are determined on the basis of prices on the main foreign commodity markets. But here significant difficulties arise in selecting an objective base. The latter is very flexible because scientific-technical progress encourages constant changes into the design of machinery and equipment, which has a noticeable effect on the level of world prices. In connection with this the annual reexamination of foreign market prices yields certain positive results for one-time deliveries or purchases of large batches of machinery or equipment.

As for determining contract prices for cooperative goods within the framework of an agreement on international cooperation on the basis of direct ties between enterprises and associations of CEMA countries, here problems inherent only to these countries arise. These problems are based on the changes that take place in technical and other quality features of manufactured products in the course of cooperation, changes which only rarely coincide with the changes that are occurring in the products of a particular western firm that is being used as a basis for comparison. Further, there are periodic changes in the exchange rates of national currencies of capitalist countries which affect the level of world prices. Moreover, enterprises are tied to many internal suppliers who provide unit subassemblies and parts according to prices that have been established according to a different methodology. This is also reflected in the cost-accounting interests of enterprises. For this reason the necessity arises to consider in the price specific factors which are to a large extent characteristic of the specific variant of scientific-production cooperation. Such an approach is based on the very essence and specific nature of cooperation, for here exchange takes place for the sake of production, and consequently all factors that influence exchange in one way or another must be subordinate to the interests of production.

In our opinion, the transition to contract prices corresponds to the new conditions for cooperation. In this case enterprises and associations as direct parties in economic relations, conforming to production conditions and the specifics of cooperation and taking into consideration the cost-accounting effectiveness of cooperation, will freely negotiate the level of prices for products provided on a reciprocal basis in the course of scientific-production cooperation. The result of negotiations will be recorded in the international agreement and then in a commercial contract. With this kind of approach to solving the problems of price formation we have the opportunity to more fully consider the specific characteristics of direct relations between partners as well as their cost-accounting interests, which should minimize the difficulties and conflicts that arise during the coordination of prices for cooperative goods.

Currency-monetary questions are closely interwoven with price formation within the framework of contracts that deal with scientific-technical and production cooperation. When agreeing on prices for reciprocally-supplied cooperative products we must unavoidably consider and compare production profits and wholesale prices expressed in various national currencies. Under current conditions it is very difficult to make this comparison since every country uses its own methodology to determine the exchange rate of its currency as compared to the currencies of other CEMA countries as well as to the conversion ruble and dollar. As a result both prices and indexes reflecting the economic effectiveness of scientific-production cooperation by enterprises are distorted.

For this reason, the joint development of a system of reciprocal exchange rates for the national currencies of CEMA countries, the conversion ruble and dollar on the basis of a mutually-agreed upon methodology is urgent. This kind of methodology should take into consideration the most important factors affecting the exchange rate, both domestic as well as foreign, which will to a large extent encourage the effective development of mutually-advantageous production and scientific-technical cooperation.

The questions that have been raised by no means exhaust the entire circle of problems related to the continued improvement of administration of international scientific-production cooperation. As we gather experience in direct cooperation between enterprises and associations in the course of implementing the Comprehensive Program of Scientific-Technical Progress of CEMA Member Countries new problems will appear, as will new ways to deal with them. In general success in our country will depend first and foremost on the degree of effectiveness of the entire economic mechanism, which the efforts of the CPSU Central Committee, state economic organs and scientific institutions and enterprises are directed at improving.

FOOTNOTES

1. Materials of the 27th Congress of the Communist Party of the Soviet Union. Moscow, Politizdat, 1986, p 256.

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MEMO FINANCE-CREDIT SPECIALIST ON THIRD WORLD DEBT PROBLEM

Moscow IZVESTIYA in Russian 27 May 87 p 5

[Interview with I.S. Korolyev, IMEMO deputy director, by IZVESTIYA correspondent A. Cherepanov: "The Paradoxes and Blind Alleys of Debt"; date and place of interview not given; first paragraph is IZVESTIYA introduction]

[Text] In its issues, our newspaper has more than once touched upon the foreign debt problem of the developing countries. But the editors continue to receive letters asking for explanation of one or another aspect of this problem. Today, we are publishing an interview by our correspondent with one of the leading Soviet specialists in the area of international foreign currency and financial relations, the deputy director of the USSR Academy of Sciences' Institute of World Economy and International Relations, I. S. Korolyev.

[IZVESTIYA] Ivan Sergeyevich, even relatively recently, a debt problem on this scale did not exist. We almost never talked about it and, to be sure, in any case did not argue about it. And suddenly, the curve of indebtedness has literally shot upwards for several years! What happened?

[Korolyev] The history of the problem extends its roots to the 1970's. More precisely, to 1973-74. Specifically, it was then that a large increase in prices for oil occurred. As a result of this, there was an increase in the flow of money, of so-called "oil dollars" into the international banking system. And, as known, money can not lie around as dead weight. It is usually put somewhere so as to earn income. Large payment balance deficits began to appear in most of the developing countries at this time, and they began to go into debt to cover these deficits.

And this was an advantageous time to borrow. Together with higher prices for raw materials, inflation was increasing. At the same time, the nominal bank interest rates for loans and credits were low. And so, the total amount of indebtedness began to quickly increase.

In the beginning of the 1980's, the situation changed sharply. Interest rates jumped upwards -- among other reasons, because of the economic policies of the United States in the international arena -- to 20 percent and more. And the prices for oil and other types of raw materials, which the developing

countries export, fell. This further exacerbated the problem of indebtedness. Export earnings for raw materials began to decline, while interest payments began to grow.

But this is purely the financial side of the question. The problem of debt must also be examined in the context of the entire system of the relationships of the developed capitalist states and the developing countries. The later, when they were going deeply into debt, hoped to create the export sectors of their economies. But, creating such sectors on the basis of an outdated idea of the division of labor, they were always late and were not able to catch up with the demands of the world market. Their products became obsolete before they got there. And so, the prices for them were low. And again, we cannot forget about protectionism on the part of the West.

[IZVESTIYA] Debt-slavery has become a part of the West's mechanism for exploiting the developing countries, a mechanism for pillage. Many readers are interested in how it works.

[Korolyev] In the still relatively recent past, there was a bitter struggle for sources of raw materials taking place on world markets. The colonial countries were such sources. They were turned into, as we usually write, "raw-material appendages". Having gained their independence, they continued to be such. Their domestic markets were still undeveloped. The imperialists were involved in open, direct plunder.

But gradually the situation changed. Now, it can be said, the world has entered a new stage in the development of the world economic system, when the West is no longer content with a situation in which there are economically underdeveloped countries in the "third world". The West itself needs markets for the sale of its products, and only people who have a relatively developed economy can purchase them.

By the way, it is precisely for this reason that western creditors were so lavish in extending loans -- debt-slavery helps the developed capitalist states to commit the developing countries to a specific economic policy, a policy that creates a form of the division of labor between these groups of states which is favorable to themselves, while at the same time even more closely integrating the latter into the capitalist economic system. Herein lies the principle mechanism of debt.

The key sectors of science and engineering, technology, information science, and the services sphere are now acquiring increasing importance in the economy. The capitalist countries want to keep all these (they are sometimes called the "ecologically clean") production sectors for themselves, simultaneously concentrating the commanding positions of industrial production in their own hands and ensuring their own ecological security. And to move all the harmful sectors, for example, metallurgy, chemistry, part of machine building, and motor vehicle manufacture to the developing countries. Products coming from the debtor countries, of course, will carry low prices, while technology and scientific and technical information going in the opposite direction will have high ones. And here you have an important source of long-

term and high profits. It is precisely the indebtedness of the developing countries that allows world capital to more effectively realize its plans.

In the short range, debts force the developing countries to sell the goods they already have, and also raw materials, at low prices as well, even when competition is weak on the foreign market.

[IZVESTIYA] Many readers believe that western banks support themselves on the basis of debt, that they earn profit only from interest.

[Korolyev] Not only and, I would say, not so much. For example, a certain developing country receives a credit. As a rule, this money goes for the purchase of goods and services in the same place -- in the capitalist world. But they are forced to buy them at an inflated price. This is how credits are negotiated. Sometimes this price differs from the one that would be paid for the goods in "hard cash" by 20 to 30 percent. We even often run up against the paradoxical situation that a bank, having extended a credit, ends up not earning any income from interest, and may even lose something. But the transnational corporations, with which any bank is very closely connected, "share" with it, using the separate mechanism for distributing and redistributing profits which exists within the capitalist world. The banks and the transnational corporations remain among the winners, the developing countries among the losers.

In the final account, the economically developed capitalist countries, by the use of debt-slavery, are committing the developing countries to a path which they must follow and to economic priorities by which they must be guided, and at the same time are forming an economic structure in the "third world" which is dependent upon and useful to themselves.

During the 1970's, particularly their second half, the western banks provided credits on an extremely intensive basis to the developing countries. Although it was clear even to the bankers that they would not receive all their money back. But they continued to provide loans, because this policy resulted in drawing this capital into circulation, which made it possible to extort more and more resources from the developing countries at favorable prices. The resources were turned into new products and, under new credits, were returned in the opposite direction, but now at higher prices.

And so, by providing increasingly greater credits, the western capitalist countries have drawn an every larger part of the resources of the developing countries into circulation. And profits, surplus value, once again served as the incentive for this.

[IZVESTIYA] And is it possible to provide loans endlessly?

[Korolyev] No, of course not. At the beginning of the 1980's a debt crisis exploded, the main symptom of which was that the West could no longer provide credits on the former scale. This was on the one hand. And on the other, it had already become clear to everyone that this debt cannot be repaid, either theoretically or, more important, practically. It was necessary to find a way

out of the situation that had been created, not only for the developing countries, but also for the western capitalist powers.

But there is still another paradox of debt: It is not profitable to the West for these countries to repay their debts. Let's take Brazil, which owes more than 100 billion dollars and is liquidating its debt. How? On the basis of a difference between export and import totals. Brazilian overseas exports have to be increased sharply. And imports, on the other hand, have to be reduced to a minimum. And this difference, in its total amount, needs to equal the amount of the Brazilian debt. The western market will be literally flooded with Brazilian products. But who will permit this to happen under conditions of a sharp competitive struggle? Nobody. Since this will deal a blow to the interests of the trans-national corporations.

And there's another very important point when we're talking about the debt crisis. How is the mechanism for settling debts working now? The developing countries are obtaining credits which are going to pay interest on old debts. The total amount of these new loans is growing close to that of the old ones. The domestic markets of these countries are not expanding, and this means also that, in every increasing amounts, the West cannot unload its products there. This is still one more paradox of debt. I would say, a dead-end paradox.

[IZVESTIYA] And what is the way out of this dead-end that has been created? Can we picture a situation where one or another country will declare itself bankrupt and refuse to pay altogether?

[Korolyev] In such a situation, extremely firm sanctions would follow. Up to a full embargo on deliveries of all types of equipment, of spare parts, and of such products, for example, as medicines, foodstuffs, and semimanufactures. And the developing countries themselves clearly understand all the consequences that would result from this. Their dependence on foreign economic ties is too great. They cannot stay in a vacuum. And, therefore, the debtors do not want to and are unable to break with the outside world, despite some of the things they say.

And the way out of this blind alley? I think that, in the very near future, the West will have to take a step such as writing off a part of the debts. They now are talking and writing a great deal about this. The French newspaper LE MOND has termed a debt, that cannot be repaid, a "fiction" of a kind. And it was not far from the truth. The West recognizes the juridical existence of this debt because, to recognize the opposite, would mean to destroy any kind of faith in the system of providing credits. And, indeed, the provision of credits is an important tool in international economic relations, which neither the developing countries, nor the western capitalist states, nor even the socialist countries, can do without. Therefore, I repeat that a writing off of a part of the debts is unavoidable and this will take place in the next few years, because a debt of this kind is serving as a very strong brake on the development of international economic relations.

Altogether, to tell the whole truth, the West has already received a little more than a billion dollars in debts from developing countries through all the channels discussed above.

There is still another problem that arises -- who should bear the cost of writing off the debt?. And the answer, of course, is that it should be those who have earned profits as a result of all these operations. But if you take a look at western statistics, then you run up against still another paradox: everyone is in debt. Not by accident, such a "statistic" hides the recipients of the profits -- the trans-national corporations and the banks. They are the ones who should write off a part of the debts at their own expense.

[IZVESTIYA] But will a writing off of debts really solve the problem?

[Korolyev] Of course not. It will give temporary breathing space. Only a basic change in all world economic relations, based mutual benefit, can solve the problem.

Incidentally, the problem of indebtedness shows that only such a path can be successful. Our world has become interrelated to such a degree that global problems can now be solved only through joint efforts. Not only the developing countries but, objectively, the capitalist countries, as well, have an interest in this. The socialist countries do too. From my point of view, it has long since become necessary for everyone to sit down at the same table for an international conference on global economic problems. Including the debt problem.

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EXAMPLES INDICATE NEED FOR NEW INTERNATIONAL ECONOMIC ORDER

Moscow IZVESTIYA in Russian 9 Jun 87 p 5

[Article by D. Volskiy: "An Urgent Task"; first paragraph is IZVESTIYA introduction]

[Text] The question of establishing a new economic order based on justice and equality is occupying an ever larger place in the policies of the Asian, African and Latin American countries. An important element in it is "South-South" cooperation as the coordination between the developing states themselves is arbitrarily called. The extraordinary conference of nonaligned countries at the minister level, which is opening in Pyongyang in a day or two, will be devoted to this urgent problem.

The overwhelming majority of developing countries agree that the strengthening of cooperation between them is an urgent matter and that the establishment of a new economic order in general is just as urgent.

This is explained by the fact that the old neocolonial "order" has not simply become outdated -- it has become explosively dangerous. Among the threats that lie in wait for humanity on the threshold of the new millennium along with nuclear war and ecological catastrophe, the intensifying conflict between the "rich North and poor South" -- more accurately, between the developed capitalist countries and the developing states -- is looming as a more and more alarming specter. It is fraught with unpredictable and difficult to control consequences, in whose prevention everyone, who is concerned with the planet's future, is interested. In the first place, it is clear that this is the developing countries themselves, whose present system of unequal economic relations with the West has placed them essentially in a desperate situation.

"Is there not an exaggeration here?", a reader may ask. For example, India, the largest of the nonaligned countries, long ago entered the top ten states based on its industrial output; the "green revolution" in its agriculture, which has permitted hunger to be overcome, is well known; and a vast program of computerization in its economy is being carried out. Take another developing giant -- Brazil. In the area of computer production, this country has challenged -- and not without success -- the United States itself. Finally, do not the sparkling skyscrapers, which have grown up in the oil-bearing sands of the Persian Gulf, where not so long ago the largest

structures were minaretttes and the palaces of sultans, really not testify to economic progress?

All of this is so. However, first, the impressive economic indicators, which a number of young states have achieved during recent years, are in no way typical of the majority of these states. Moreover, there have appeared among them states where production output per capita is not growing, but falling. Second, a bitter paradox is being revealed: The more uneven the economic indicators under the present conditions in some "Third World" country or other, the more tragic it is for millions of people when these indicators fall as a result of the inevitable fluctuations at the capitalist juncture; this is happening more and more frequently. Third, generally speaking, for these millions -- hundreds of millions! -- of people who are illiterate and often homeless, numerical indicators are only some kind of abstraction which is really embodied in the flashy luxury in which the nouveau riche live set against the background of the tin-can houses that are not disappearing by any means in the excessively growing cities of the "Third World." According to an assumption by the American magazine NEWSWEEK, there will be up to a billion unemployed in these "megalopolises" by the beginning of the new millennium. Their number is increasing at the expense of yesterday's peasants who have been chucked out of their destroyed villages. Miguel de la Madrid, the president of Mexico which is by no means the worst of the developing countries, recently stated: "We have come to the end of our capabilities."

Bourgeois economists explain this situation by the most diverse facts: from natural disasters to a too rapid population growth. They talk especially often about the "demographic explosion" in connection with the hunger in tropical Africa. However, here is a fact, not a conclusion. The Paris magazine LE POINT writes: "Black Africa is by no means an overpopulated area. Even in the year 2100, the population density there will be sixfold lower than in France. Moreover, there are enormous reserves of uninhabited land in Zaire, the Congo, the Central African Republic and Cameroon, which are capable of feeding -- in the opinion of experts -- a population 1.6-fold greater in number than the population, which will live here in the year 2000 according to forecasts."

The failure to realize this type of potential capability will not be because of a shortage of money, equipment and specialists -- but the result primarily of foreign conditions imposed by the West. It is sufficient to recall that the combined debt of the developing countries to Western states and banks has already reached one trillion dollars and has doubled since the beginning of the Eighties.

The so-called "price discrepancies" between raw material and finished products are no less ruinous for them. Even two decades ago, it was possible to purchase an American truck for the money received from selling six sacks of jute exported from Hindustan. Now, it is necessary to sell no less than 26 sacks to do this. One would think that it would be simpler with tires for that same truck. They are made from rubber exported from neighboring Southeast Asia. However, the production of tires is in the hands of those same Western corporations that are knocking down the prices for rubber almost at the same speed that they are inflating the prices for motor vehicles. Here

is the result of these trends: from 1981 to 1985, loan interest payments by the developing countries grew from 78 to 114 billion dollars, but their earnings from exporting raw material (not considering oil) fell from 104 to 87 billion dollars.

There are many other methods for wringing funds from the former colonies and for restraining their independent development. Probably the main brake now is the desire of the United States, Japan and Western Europe to monopolize modern technology in their relations with their developing partners. With respect to the transfer of highly labor-intensive production to Asia, Africa and Latin America by certain Western companies, this costs the young states dearly! They must pay for their access to modern equipment with contamination of the environment, sharp social polarization and -- what is the main thing -- a strengthening of their economic dependence on the West.

Of course, sensible people in the developing world are not at all striving for some kind of self-isolation and for the destruction of the economic ties that have taken shape. The subject concerns something else -- the fact that life again and again convinces one that there does not exist any possibility of preventing a dangerous aggravation of the contradictions between the developed capitalist states and the "Third World" except a just settlement of the debt problem, the establishment of economically sound prices, the introduction of control over the activity of transnational corporations in young states, and the elimination of unjustified protectionist barriers and various types of discrimination measures. All of this implies the idea of a new economic order which is inseparable from the broadest international cooperation and which is genuinely equal and mutually beneficial -- including also cooperation between the developing countries themselves.

It is necessary to admit that its adjustment and expansion are not a simple task. You see, even today, agrarian-raw material economic structures of the same type, which have been inherited from colonialism, are being preserved in many "Third World" countries. This uniformity interferes to a certain degree with the intensification of economic exchanges. However, first, this situation is gradually being eliminated. Raw material -- for example, oil -- has become necessary now for everyone. Second, there are objective factors which guarantee specific advantages for "South-South" cooperation: geographical proximity, knowledge of local conditions, and a common interest in suppressing the feeble impulses of neocolonialism.

That is why it is not surprising that the Eighth Conference of the Heads of State and Governments of the Nonaligned Countries, which was held in September 1986, made the question of expanding "South-South" ties one of the cornerstones of its work. Later, at the end of last year, the "Group 77" participants came forward in the United Nations with a special statement in which they pointed out their determination to "urgently and energetically achieve" an expansion in cooperation between the developing countries. Practical efforts in this direction are being made in very different areas where regional economic organizations are being established.

Besides common obstacles, each one of them must overcome its own special local "obstructions." The Latin American Economic System (LAES), for example is

under the vigilant eye of its northern neighbor who is not concealing its desire to paralyze its activity, Political differences between the participants themselves are preventing a good start for the recently established South Asian Association for Regional Cooperation (SAARC) which unites the states of Hindustan and adjacent areas. The striving of certain circles to convert the Association of South East Asian Nations (ASEAN) into an alliance opposed to neighboring states is by no means occurring for the benefit of the association. Under these complicated conditions, the realization of the community of the liberated peoples' fundamental interests not in words but in deeds; the ability to waive momentary benefits for the sake of the future; an accurate vision of the countries' interdependence and of phenomena in the modern world -- put briefly, that which one has in mind under the new way of thinking in this respect-- are necessary.

Let us not run ahead. Only the first steps have been taken in establishing a system of "South-South" economic cooperation -- steps which are meeting the strong opposition of those who want to exploit the "Third World" forever. However, even these first steps say a great deal -- especially about the fact that we are talking not about the speculative wishes of the liberated peoples but about the manifestation of natural processes in world development and about the command of the times, which are working in favor of the developing countries -- despite all of the difficulties that they are now undergoing.

8802

CSO: 1807/347

CHEMICAL INDUSTRY MINISTER ON IMPROVING FOREIGN TIES

Moscow EKONOMICHESKAYA GAZETA in Russian No 19, May 87 p 20

[Interview with Yu. A. Besspalov, minister of the chemical industry, by EKONOMICHESKAYA GAZETA editors: "The Export Opportunities of Chemists"; date and place not specified; first paragraph is source introduction]

[Text] Since 1 January the Ministry of the Chemical Industry has had the right to implement export-import operations. The editors of the daily asked Yu. A. Besspalov, Minister of the Chemical Industry, to answer some questions dealing with measures to improve the foreign economic activities of the branch.

[Question] As we know, the chemical industry plays an important role in the development of the material-technical base and in the improvement of the structure of our country's economy. The fulfillment of the Comprehensive Program of Chemicalization of the National Economy of the USSR in the Period Until the Year 2000 is being called upon to achieve technical progress in a number of key branches of industry. What could be said about the branch today?

[Answer] Already during the current five-year plan it is planned to increase the production of chemical products by 32.4 percent. Economic effectiveness related to the implementation of the Comprehensive Program equals 450 billion rubles as a whole throughout the national economy.

In volume of chemical products produced, the USSR occupies first place in Europe and second in the world. Each year the volume of Soviet foreign trade in chemical products, including fertilizers, exceeds 5 billion rubles.

[Question] Tell me please in greater detail about the participation of the branch in the international division of labor.

[Answer] Domestic chemistry is developing in close cooperation with chemical science and production of CEMA [Council for Mutual Economic Aid] member countries. Today the chemical industry of fraternal countries produces one-third of the world's chemical products. As a result of the successful

fulfillment of the program of specialization and cooperation the volume of reciprocal export of chemical products between our countries has increased by a factor of almost 9 during recent years.

At the beginning of the last decade CEMA countries were still buying 500,000 tons of calcined soda on the capitalist market. Today Bulgaria is the large supplier of this product, and together with the USSR it occupies one of the first places in the world in its production. Hungary specializes in the production and supply of pharmaceutical products, pesticides and industrial rubber goods. Chemists of the GDR export photographic chemical goods, dyes and chemical plant-protection agents to countries belonging to the council group. Poland is a supplier of varnish and paints, cosmetics, pharmaceuticals and sulfur. Romania specializes in the production of caustic soda, products containing chlorine, chemical plant-protection agents, and semi-finished products for the production of dyes. The Soviet Union supplies mineral fertilizers, methanol, ammonia, plastics and some types of heavy industrial products to friendly countries. The CSSR satisfies the demand in socialist countries for dyes, chemical reagents and ingredients for the production of polymer materials.

Scientific-production cooperation is gaining in scale and pace. As a result of cooperation between chemists of the USSR and GDR a facility with a great single-unit capacity has been created in the area of producing high-pressure polyethylene. The facility is characterized by a high level of automation and low consumption of raw materials and electrical energy.

The first stage of Polimir-50 with a single-unit capacity of 50,000 tons per annum has been built in Belorussia at the Novopolotskiy Chemical Combine. The second, with a capacity of 60,000 tons, will be located in the Leyna-Verke People's Enterprise of the GDR. At the present time four facilities with a capacity of 75,000 tons annually are being built in Tomsk and Sumgaite.

Joint scientific-technical research is being undertaken with firms of capitalist countries as well. It is being carried out in fields such as membrane technology, the production of structural plastics, the development of improved membrane electrolyzers for the production of chlorine and caustic soda, and the manufacture of equipment to process plastics. In cooperation with the firm Tsintsinati Milakron (Austria) a highly productive technology has been developed for manufacturing fittings. Patents for this technology have been obtained in Austria, Italy and other Western European countries. In the course of making an agreement with the firm Bardsdorff (FRG) a new technology was developed for producing powder polymer materials on the basis of high-pressure polyethylene using the elastic deformation method, and the necessary equipment has been developed for its manufacture. The joint development has been patented in the USSR and the FRG and is being patented in the U.S.A. and Japan.

Industrialcooperation on a licensed basis should be included among the new effective forms of business ties. Together with Finnish firms we have organized the output of household chemical agents--Ternol and Ekstro-Pesol--under a common trademark. Together with the Italian firm Montedison and the

West German firm Zaltsgitter plans are being made to build plants for the production of polycarbonate and formic acid in the USSR and third countries using Soviet technology.

Scientific-technical contacts and production ties contribute to the development of joint efforts with regard to new capacities, technological processes, the development of bilateral direct ties between economic organizations and the creation of joint enterprises.

[Question] What kind of progress is being made to develop a new mechanism for foreign economic activities? How will it differ from the former?

[Answer] The all-union cost-accounting foreign trade association, Soyuzkhimeksport, has been reassigned to us from the Foreign Trade Ministry. It consists of 10 specialized firms which trade in chemical products according to a special nomenclature.

Soyuzkhimeksport has been participating in the international market for chemical products for over 30 years. At present it has extensive business ties with 520 firms in 72 countries. It is becoming one of the largest exporters of chromium compounds in the world; it is gaining a position among suppliers of methanol, polyethylene, vinylchloride, phenol and industrial carbon.

Our task is to multiply the rich experience of the export-import operations of V/O [All-Union Association] Soyuzkhimeksport and to skilfully direct it in a new direction while boldly throwing off everything obsolete and conservative in the methods and forms of work.

As of now the main goal has been achieved--the branch's foreign economic activity has been combined with the branch's as well as the national economy's production possibilities and interests. This enables us to uncover reserves more fully and to create new resources for increasing our export opportunities as well. For the first time the entire nomenclature of sold and bought chemical products has been gathered up in one set of hands, which enables us to more effectively and purposefully carry out a single foreign trade policy and to control the dynamics of export and import on a national scale. We have been liberated from the burden of paper red tape when dealing with the question of additional deliveries of goods for export or when purchasing them. Previously in each individual case it was necessary to turn to various organizations for agreement. Now such problems are dealt with immediately in our ministry.

For example, we know that the country's light industry compensates for the shortage of synthetic dyes by purchasing them on the open market. Many of our country's organizations are allocated currency for this purpose. At the same time existing capacities for producing these products in our ministry's enterprises are working at only 80 percent capacity. Previously specialists of Soyuzkhimeksport, removed from direct production, simply were not aware of this. Now, having become united, we are taking measures to procure only some semi-finished products and raw materials and to increase the production of high-quality synthetic dyes using domestic equipment.

When measures were developed for cooperative reciprocal deliveries of products, Minvneshtorg [Ministry of Foreign Trade] and Soyuzkhemeksport participated purely symbolically, only sending comments on prepared drafts of contracts and agreements. Today representatives of Soyuzkhemeksport, together with specialists from our industrial associations, participate directly in the development of drafts and agreements and in negotiations with foreign partners, and influence the implementation of the agreements that are made.

Of all the ministries and departments which produce chemical products the right of foreign trade operations is given to the branch. This is why we have the job of representing all of the country's chemists.

[Question] Evidently we can already discuss several first steps in the restructuring of foreign economic activities of the branch. What namely?

[Answer] Recently, the ministry's board noted unsatisfactory work in establishing direct production and scientific-technical ties and in creating joint enterprises with international partners. Of the 82 enterprises and organizations in the branch, only 25 organize direct ties. We are working on the more efficient development and coordination of technical foundations and founding documentation for the development of joint enterprises.

There are still many directors of our functional administrations and all-union industrial associations in the camp of inertia and old concepts as concerns foreign economic activity. Not all of them have assessed with sufficient soberness the new opportunities to more fully satisfy the needs of the national economy for chemical products or for obtaining additional currency to modernize and technically reequip the branch.

We must consider as one of our omissions the fact that as of yet we do not offer domestic household chemical agents on the foreign market although most of these goods are of excellent quality. I have in mind synthetic washing agents (SMS), cosmetics and preparations in aerosol cans. In recent years our scientists have standardized the ingredients of the SMS, their names and their scientific-technical documentation. GOST [All-Union State Standard] has been introduced for powder SMS's manufactured by means of the method of progressive atomizing drying (tower method). Everything possible has been done to improve the quality of powders to the highest world levels.

The task is to implement these possibilities. In particular, we must seriously work on giving our preparations a commercial, competitive appearance. Right now our products are inferior to foreign samples in their aesthetic, artistic design qualities and packaging.

We also have complaints about the international organizations Domokhim [Domestic chemical trade association], Assofoto [Organization linking the USSR and GDR in the production of photography equipment] and Interkhim [International chemical trade association]. Specialization and cooperation within their framework are sometimes implemented one-sidedly--without sufficient consideration of the balance of deliveries. As a result our import of chemical products continues to significantly exceed exports, as previously.

It is the branch's task to considerably improve the foreign trade balance of chemical products in trade with firms from capitalist countries and to significantly increase reciprocal cooperative deliveries with socialist countries.

Today we are deeply involved in the close correlation of the work of Soyuzkhimeksport with the ministry's industrial associations and services, and we are securing the merging of all these links into a single organism, into a scientifically-based and well thought-out system with an uninterrupted cycle--from the manufacture of the product to its delivery to foreign and domestic markets.

[Question] Within your branch the right to enter the foreign market directly is given to production associations such as Novopolotsk's Polimir, Kazan's Orgsintez and Rubezhnoye's Krasitel. Evidently, it is not easy to assimilate the new functions?

[Answer] In these enterprises cost-accounting foreign trade firms have been created with their own particular nomenclature of chemical products. The representatives of foreign firms are already beginning to have direct contact with new firms.

I am often asked why these enterprises in particular were allowed to carry out direct foreign economic work first. It is because they already have at their disposal satisfactory economic and scientific-technical potential for this and have accumulated a certain amount of experience in developing foreign trade and cooperation with foreign partners.

In Polimer, for example, over one-fifth of products sold were exported. The association supplies high-pressure polyethylene to CEMA member countries, Austria, the FRG and Switzerland. It also exports acrylonitrilic acid--the basic raw material for the production of synthetic fiber and synthetic rubber.

Independent sales of chemical products on the foreign market require specific innovations. It is one thing to unload products onto railroad cars according to contracts of the foreign trade association and something completely different to find the most advantageous and dependable partner and to carry out business negotiations with him. Naturally, the necessity has arisen before our enterprise to develop and regulate a mechanism for export-import operations. It is extremely important for everyone to pass a type of "likbez" [campaign against illiteracy]--to learn to analyze the world market and the competition, to find partners and to properly coordinate prices with delivery conditions. Right now foreign trade firms have had fairly little experience in this.

We are beginning to prepare our own cadres at the V/O Soyuzkhimeksport as well as in the Institute for Increasing the Training of Management Workers and Specialists in the chemical industry. We are also counting on the All-Union

Academy of Foreign Trade. The training of qualified specialists to carry out export-import operations is considered to be a main concern by both the board and party committee of the ministry.

'URALMASH' PREPARATIONS FOR ENTRY INTO FOREIGN MARKET

Moscow EMKONOMICHESKAYA GAZETA in Russian No 22, May 87 p 20

[Interview with Igor Ivanovich Stroganov, general manager of the Uralmash Production Association, by EKONOMICHESKAYA GAZETA correspondent B. V. Rachkov under the rubric "Improving Foreign Economic Ties": "Uralmash Enters the Foreign Market"; date and place not specified; first paragraph is source introduction]

[Text] Since January 1987, the Uralmash Production Association has had the right to conduct foreign economic activity independently. Igor Ivanovich Stroganov, general manager of the association, tells our correspondent B. V. Rachkov how the collective is exercising its right.

[Answer] Our collective considers the inclusion of Uralmash among those enterprises which received the right to enter the foreign market as one more recognition of its achievements in a number of directions for scientific and technical progress.

The UZTM trademark which appears on products of the association's main enterprise, the Ural Heavy Machine Building Plant imeni Sergo Ordzhonikidze, is well-known to buyers in nearly 40 states in the world. The association's many products for metallurgy and extractive sectors of industry meet the highest requirements.

Thus, the continuous ingot casting machines (MNLZ) manufactured in Sverdlovsk, which have tripled the operating speeds in teeming steel, enjoy wide international recognition. They are being operated in the CEMA countries, Japan, Finland, India and other countries. The innovation of technical solutions with the MNLZ is protected by more than 150 patents, including in Austria, Great Britain, Italy, the United States, France, and Japan. We have now begun manufacturing an even more improved machine.

The walking excavators for mining large mineral deposits and the excavators mounted on caterpillar tracks for small open-cut mines, equipped with hydraulic drive, are significantly lighter than foreign models, but more powerful and productive.

Our drilling equipment is reliable and productive. Not long ago a group of foreign specialists--participants in an international geological congress held in Moscow--visited the superdeep borehole on the Kola Peninsula. The fact that the deepest borehole in the world, which has passed the 12-kilometer mark, is being drilled by a rig with the Uralmash name has been a real revelation for many foreign guests. At one time this fact became a sensation for the Western business press, which incidentally recalled the fact that the drilling of a superdeep borehole in the United States was abandoned precisely because American equipment was not able to exceed a depth of even 10 kilometers.

A number of foreign countries voluntarily acquire technical specifications from Uralmash and organize their own production of one item of equipment or another. Thus, the well-known Japanese company Kobe Steel has turned out more than 20 MNLZ's in accordance with these specifications.

The tenacious work by its collective of many thousands of workers, engineers and scientists is responsible for all Uralmash achievements. They collaborate closely with their colleagues in associated sectors of the national economy and strive to continuously sense the flow of scientific and technical progress and to be an active motive force in it.

In the decision to grant Uralmash independence in the foreign economic field, the fact that the value of the association's annual export deliveries are far in excess of the value of import orders certainly played a major role. For example, this year output valued at 110 to 115 million rubles is being shipped to foreign partners, but equipment valued at the most at 17 million rubles will be imported from abroad. Active carryover funds amount to about 100 million rubles.

The fact is gratifying, of course. But it still does not satisfy the plant's workers. This is barely enough for the Uralmash giant today. There are resources in the association for increasing the export potential, of course. But with the increased volume of foreign orders and expansion of the group of partners, it has become more and more difficult to mobilize these reserves out of contact with the foreign market, by acting through middlemen and without being aware of the true results of our work.

Now the self-supporting foreign trade firm Uralmasheksport has been created for us, with the right to carry out export-import operations and provide different services in the foreign market directly.

[Question] How is the new firm constituted and how are its contacts with foreign business circles established?

[Answer] Based on the current volume and the geographic scope of the association's export-import orders, the firm's staff has been set at 65 persons. As of the end of May, one-third of the staff has been put together. This is important work, and we cannot be in a hurry here. Together with the party organization, the administration is carefully selecting experienced engineers, designers and technologists who are very familiar with the specific nature of the export production of today and tomorrow.

In the near future, all the firm's staff members, and not only the staff, will be faced with comprehending the specific nature of foreign trade operations. Unfortunately, there is still no more or less complete program for training foreign trade personnel in industry, for which the specialized training and scientific research subunits of the Ministry of Foreign Trade, the Ministry of Foreign Affairs and the GKES [State Committee for Foreign Economic Relations] may be reproached.

The Uralmash Production Association plans to establish its own representation in Moscow with a staff of five for organizing strategy meetings and holding talks with foreign partners. But for the present, the functions of the representation are being carried out by a small working group in the self-supporting foreign trade organization Tyazhmash of the USSR Ministry of Heavy and Transport Machine Building.

On the whole, close interaction is already being organized between the Uralmasheksport firm and the Tyazhmash foreign trade organization. Although the new firm will be studying and signing contracts independently, it intends to resolve problems of export-import price setting, taking advantage of foreign market conditions, and other matters of a "global nature" in close interaction with the sectorial foreign trade organization. This will make it possible to avoid lack of coordination in actions on the world market among all units of the Ministry of Heavy and Transport Machine Building system.

[Question] When and with whom does Uralmash intend to conclude its first contracts?

[Answer] The production association considers its duty to faithfully carry out the Soviet side's commitments under more than 200 contracts and agreements which we inherited from the Ministry of Foreign Trade and the GKES. At the same time, we have begun putting together a new "portfolio of orders" for 1988 ourselves.

The first contracts are being concluded with our most active and reliable business partners from CEMA member countries, of course. One of these contracts--with the Czechoslovak Skoda firm--calls for the machining and manufacture of large gear-driven rollers for a rolling mill. The fact is that Skoda does not have enough capacities at its disposal for cutting such rollers. But we are prepared to carry out the necessary machining of billets on a commercial basis and ship the finished rollers to the CSSR.

We are working on further expansion of cooperation with partners from Bulgaria, the GDR and the CSSR for their manufacture of cone-type crushers in accordance with Uralmash specifications; part of this output will be delivered later to the USSR, where the demand for crushers exceeds production capacity.

A major contract with our Indian partner for delivery of two walking excavators of the latest type is in the development stage. One of them is being purchased with technical specifications by the Ranchi plant as a model for subsequent manufacture of these excavators at this plant.

We are preparing a contract with Kobe Steel, which has become interested in the new design for one of the important assemblies in the continuous ingot casting machines. It is a priority order which requires that design work and engineering preparation for production be handled efficiently. Previous methods of conducting foreign economic transactions would have consumed a minimum of a year or two, and possibly would have led to loss of the contract. Now we hope to resolve the problem in several months.

[Question] What could you tell us about Uralmash's currency fund and prospects for currency self-support and self-financing in the association?

[Answer] The targets for currency earnings, including in freely convertible currency, are part of those plan indicators which are being approved, in accordance with which results of the economic activity of all of Uralmash will be evaluated.

Our currency fund is being put together from deductions in accordance with stable, long-term norms, the amount of which depends on the type of currency earned. In particular, the All-Union and our norm for deductions from earnings in freely convertible currency looks this way: 60 percent to the state budget and 40 percent to the currency fund of the production organization, from which one-tenth, or 4 percent, then will go into the centralized currency fund for the sector--the USSR Ministry of Heavy and Transport Machine Building.

Thus 36 percent of the currency earnings, which represents an impressive sum, remains with the Uralmash Production Association. All the receipts from operations under subcontracted arrangements will go into the currency fund. All this is not subject to immobilization by higher organs, which becomes a powerful factor in developing our own initiative and enterprise in the foreign economic field. At the same time, the management of the production organization and the new firm is fully aware that it has personal responsibility for efficient and effective use of currency resources.

The new firm intends to utilize its first currency expenditures to develop production and increase its technical level and export potential. For example, we do not turn out enough eight-row chains, an important component in certain types of equipment being exported. Now there is an opportunity to purchase this component and increase the export of the finished equipment in a complete set accordingly. Our own production of the component in short supply will be increased in the future.

We have big plans to modernize and renovate production, for which we will now be able to utilize our own currency assets. In developing advanced new production facilities we have the right where necessary to take advantage of the sector's centralized currency fund and loans from the USSR Foreign Trade Bank as well.

[Question] Is the Uralmash association planning to develop new forms of foreign economic cooperation?

[Answer] Our production association is already taking steps in this direction in the interest of increasing the efficiency of all our work. We are seeking first of all to extend direct ties with colleagues from fraternal countries in the production and scientific and technical fields.

An agreement to establish the first joint enterprise with the Skoda concern has been signed. This "Uralsmash-Skoda" enterprise will develop and produce the most advanced rolling mill equipment for the domestic needs of both countries and the foreign market. Establishment of a joint Soviet-Japanese ferrous metallurgy enterprise and other projects are under discussion.

Of course, many of our plans are preliminary in nature, especially as few of the problems, standards and rules in restructuring foreign economic activity have been clarified yet. But we do not intend to avoid the initiatives to meet the requirements of the January (1987) Plenum of the party's central committee.

8936

CSO: 1825/205

MUTUAL ADVANTAGES OF CANADIAN-SOVIET TRADE

Role as Trade Partner

Moscow EKONOMICHESKAYA GAZETA (Supplement) in Russian No 17, Apr 87 pp 1-2

[Article in EKONOMICHESKAYA GAZETA information-advertisement supplement which was prepared by the editors of the Canadian business newspaper THE FINANCIAL POST and the all-union association Vneshtorgreklama [Foreign Trade Advertising Association]. In a reciprocal action, THE FINANCIAL POST published an information-advertising supplement prepared by the editors of EKONOMICHESKAYA GAZETA and the all-union association Vneshtorgreklama: "Canada Informs Us; Trade Between Canada and the USSR: Mutually Advantageous Relations"]

[Text] It is a genuine pleasure for me to turn to the readers of EKONOMICHESKAYA GAZETA in connection with the publication of a special supplement devoted to Canada and its role as a trading partner with the USSR.

In October of last year during the visit to Canada by Eduard Amvrosiyevich Shevardnadze, USSR Minister of Foreign Affairs, we marked the 30th anniversary of the conclusion of a trade agreement between Canada and the USSR, which has been extended for the next 5 years. Despite the disagreements that sometimes arise between the USSR and Canada on individual questions, trade relations between our countries have developed successfully.

Canadians understand well the significance of the Soviet market. The USSR is not only the largest buyer of our grain but has also been a buyer of other Canadian goods over many years. From the USSR Canada receives machine-tools and welding equipment, automobiles, chemical and food items and goods from the national handicrafts industry.

In Canada we were able to find ways to solve a series of problems similar to those which stand before your organizations. We hope that we will have the opportunity to utilize them in practice and to adapt them to the natural conditions of the Soviet Union. We are impressed that the Soviet Union decided to utilize Canadian equipment and services within the framework of the Tengiz and Astrakhan-2 projects. We reached the conclusion long ago that the unique nature of our northern climate, which is similar to yours in many ways, and the rich reserves of raw petroleum and gas in regions with similar

conditions in Canada and the Soviet Union make bilateral cooperation in the area of oil recovery especially logical and expedient.

The year 1986 was one of colossal shocks in the world oil and natural gas market. The abrupt fall of oil prices affected our country's economy and although recently we have noted a tendency toward price stabilization, the situation as a whole remains unstable.

In both our countries there has been a gradual depletion of traditional oil and gas deposits where expenditures for fuel recovery are relatively small. On the other hand, large petroleum reserves contained in petroleum sand and oil shale, heavy petroleum and even oceanic petroleum deposits in the high latitudes of both the USSR and Canada require additional resources and special equipment. Meanwhile, demand for oil products is not weakening.

The Canadian province of Alberta has long been especially interested in the Soviet Union as a potential consumer of equipment and services related to the recovery of oil and gas. Alberta's petroleum industry is a leader in areas such as modern technology for recovering energy fuels and solving special problems related to the development of oil and gas deposits, not to speak of the development and recovery of hydrocarbons in Arctic regions.

Extensive possibilities for cooperation between Canada and the USSR exist not only in the area of oil extraction but in agriculture as well. We value highly the relationship of trust that has developed during the years of cooperation between the Canadian Wheat Council and the all-union association Eksportkhran [All-union grain export association] and we fully intend to continue to be dependable suppliers of high-quality grain and seed as long as the USSR needs these products.

We are legitimately proud of our dairy cattle. There is a general opinion that Canadian cows of the Holstein-Friesian breed (the so-called "supercows") are fantastically productive and are just as much a high-tech commodity as supercomputers. In 1986 a large group of Canadian Holstein-Friesian young bulls were sold to the USSR. Canadian firms also supply the Soviet Union with materials for artificial insemination.

We have developed and are successfully using new methods and equipment which enable us to solve specific problems faced by agricultural producers in the Canadian prairies, where there are frequent sandstorms. One of these methods is "zero" and minimal plowing.

The methods and equipment for "zero" and minimal plowing can be used, in our opinion, under similar conditions in Soviet agricultural production.

Considering the fact that the USSR has at its disposal highly developed agricultural machine building, we are trying to encourage our firms to seek out opportunities to conclude licensing agreements through the all-union foreign trade association Litsenzintorg. All stages of food production--from agricultural raw materials to finished consumer goods, including the system of sales, processing and packaging--are of interest to Canadian firms.

The province of Alberta, where special activity has been noted in the area of agrobusiness, cooperates on a government level with the RSFSR and the Kazakh SSR. Moreover, in the course of the last 1.5 years the provinces of Quebec, Ontario and Saskatchewan have sent their agricultural delegations to the USSR.

The large supplies of Canadian grain to the Soviet Union have resulted in the fact that in our bilateral trade we have seen an active balance in favor of Canada. In order to solve this problem the Canadian side has created the Special Group on Trade with the USSR, which helps us to increase the volume of sales of Soviet goods to Canada. A number of promising directions have been determined and many of them deserve serious study and practical implementation.

Keeping in mind decreased Canadian demand for heavy agricultural and transportation equipment, certain difficulties arise in selling large batches of Belarus tractors. In our opinion, the sale of the automobile Lada-Samara is more promising.

Considering the large area of the USSR, even by Canadian standards, and the much larger population of your country, it is not surprising that one of the most important forms of transportation in the USSR is railroads. Soviet specialists have developed modern technology and equipment for this branch, which may arouse great interest in Canadian buyers.

Taking advantage of this opportunity, I am happy to tell the readers of EKONOMICHESKAYA GAZETA that according to the opinion of Canadians trade is a two-way street. Although we are not striving for balance in bilateral trade with individual partners, we nevertheless feel that a large positive trade balance in Canada's favor results in improving trade relations.

The Canadian market is open and is subordinate to the laws of competition; moreover, among industrially-developed countries Canada occupies one of the first places in per capita import of goods. In 1986 Canada imported goods worth over 50 billion rubles.

Although our economic system differs from the Soviet system, we do not erect any sorts of barriers on the path of socialist countries. In trade with some CEMA member countries we have even developed a trade deficit. The Special Group on Trade with the USSR has been working for less than a year, but we hope that in the final analysis it will help to improve the trade balance between our countries.

In the USSR important changes are taking place in the area of carrying out trade and implementing economic ties with other countries. Some all-union foreign trade associations have become accountable to branch ministries. A number of industrial enterprises have acquired the right to independently carry out foreign trade operations. New opportunities for developing joint enterprises in the Soviet Union have aroused great interest in Canadian firms. Undoubtedly, the first steps in this direction will be made in the sphere of oil and gas recovery, in agriculture and branches closely related to it, but in the long-term this cooperation can be extended to other sectors of the economy.

In conclusion I would like to express the hope that this supplement about the USSR's northern neighbor will give the readers of EKONOMICHESKAYA GAZETA the necessary information for further work.

Trade Data

Moscow EKONOMICHESKAYA GAZETA (Supplement) in Russian No 17, Apr 87 pp 1

[Article about Canada: "Figures and Facts"]

[Text] In 1986 the VNP [Gross National Product] increased by 3.2 percent (estimate).

Export:

\$ 138 billion Canadian.

Automobiles and spare parts, machines and equipment, grain, forestry materials, energy sources, metals and mineral resources, fish, chemical goods.

Import:

\$ 131 billion Canadian.

Automobiles and spare parts, machines and equipment, metals and mineral resources, chemical goods, energy sources, fabrics and clothing, fruits and vegetables.

Area: 9,970,610 square kilometers.

Population: About 25 million people.

8228

CSO: 1825/188

INFLUENCE OF MCCARTHYISM IN U.S. TODAY

Moscow KRASNAYA ZVEZDA in Russian 2 May 87 p 5

[Article by Aleksandr Golts: "Foolish Because of Anti-Communism and its Legacy"; first paragraph is KRASNAYA ZVEZDA introduction]

[Text] During our era, which is often called the Nuclear Age, people who are at the helm of state power have a special responsibility. And this is understandable. Man may have to pay to great a price if a fanatic or adventurer gets the chance to be in charge of the lives of millions. And this is why it makes sense to investigate past events to look at how efforts by irresponsible officials expose the West's political scene. This article discusses American Senator Joseph McCarthy. And this is even more valid since the senator died exactly thirty years ago and his name is still remembered in America. Some people who still remember the humiliation that they endured are bitter, some are ashamed and some hold their same convictions as the cause of this "great American" continues to this day.

"Although I do not have the time to enumerate all the workers in the State Department who are known members of the Communist Party and who are taking part in the spy organization, I have in my hands a list of 205 people who the Secretary of State knows are members of the Communist Party and who are still working and determining the State Department's policy." These words, that McCarthy spoke on 9 February 1950 at the small, now unimportant town of Wheeling in a speech to a women's committee meeting, were instantly picked up by newspapermen. These words made the alcoholic and demagogue a famous figure. And soon it was not a mythical list that McCarthy was shaking from the senate podium, but instead hundreds of copies of dossiers on State Department employees that someone had specially selected. McCarthy continued to "reinforce" the "compromising" materials that were contained in them with newly "revealed" information. In one instance he changed the reference "liberal" to "communist," in another he changed the words "information of a negative nature" to "clear proof of communist activities" and so on and so forth.

Those who were improperly exposed were fired from their jobs and they were subjected to ruthless persecution. McCarthy himself gained more and more power. He became the head of a permanent investigative committee that watched the government's activities and conducted more and more new "investigations."

During the course of these investigations he replaced proof with lies and arguments with outrages.

Washington working people were stupified with fear. There were cases where some foolish person at a city square would poke his finger at the first person who walked by and yell, "There he is, the devil!" And McCarthy could prove that anyone was "A Russian agent." And the crowd would hammer the unfortunate person. The power of this raving senator became second only to that of the President. It was so prestigious to work for McCarthy that Robert Kennedy began his political career as one of McCarthy's assistants.

But McCarthy clearly overestimated his own capabilities when after investigating the State Department and the Voice of America radio station he decided to conduct the same type of investigation in the Pentagon. The senator was threatening to go out of control. And he was stopped. McCarthy was forced to resign for some unimportant pretext. Finding himself without a job, he finally became an inveterate drunkard and died.

And it would seem that that was the whole story. But there is still one question remaining. How did it happen that such a primitive, villainous person was allowed to administer justice and mete out punishment in his country? Why did this provincial politician gain influence not only over the common man, but also over the people with sharp minds and wide mental outlooks?

I think that the reason is in the political atmosphere that was deliberately created in America. The ruling circles in that country were attempting to resolve two interrelated problems. The first problem was that they had to explain to the common man how America had lost its nuclear monopoly and how, despite direct U.S. intervention, the revolution in China had won. There was only one answer to these questions. "The United States was filled with spies and traitors."

At the same time they had to prepare the population for nuclear war. And it was at this precise moment that plans for a atomic attack on the USSR were being developed. And the nature of these plans was such that first the Secretary of the Navy and then the Secretary of Defense went mad. If such super-hawks were unable to keep their senses, how could you explain all of this to simple Americans? There was only one way out -- to prove that the Soviets were preparing to invade. And against this could only be done with the help of the myth about "communist penetration."

I must say that the assault and battery on those who thought differently that was being done under the guise of the country's security actually began several years before McCarthy began his work. The Communist Party was already being repressed by 1950. The regrettable Committee on Un-American Affairs was publicly dishonoring the best representatives of the country's intelligentsia. All State employees underwent humiliating "loyalty checks." By the way, it was during those checks that the dossiers which the senator later used were gathered. The "times of villains" was in full swing when McCarthy jumped into this advantageous anti-communist business.

And yet this period of life in the U.S. was given his name. I think that in reality the senator was able to move everything that had occurred to full fruition, or rather to its full absurdity. This foolish individual personified with grotesque accuracy all the characteristic traits of Western politicians who exaggerate anti-Soviet hysteria for mercenary motives and who send people who are guilty of nothing not only to prison cells, but to the electric chair. The historian R. Griffith recently wrote in his book "A Policy of Fear" that, "Some people brush McCarthyism aside as a rapidly passing deviation and a political fantasy from the middle of the century. But it was neither of these things. One must see in McCarthyism the natural expression of American politics and the logical, although unusual, product of the American political mechanism."

And in addition, one can say with conviction that McCarthyism in several modified styles exists in the United States of today. The social organization the Association for the Defense of the Legal Rights of Americans [possibly the American Civil Liberties Union] had every reason to proclaim a "day of U. S. political prisoners." And there are hundreds of them in the country. There are the champions for peace such as R. Taylor, F. Fray and J. Grismor. And there are the fighters against racial discrimination and national oppression such as L. Peltier and G. Harris. And many others. All of them, just as during the times of McCarthyism, were accused of crimes which were never committed and were thrown behind bars under trumped up charges.

The FBI, American security agency, is using the most obvious method to trample over the constitutional rights of citizens. Agents are sent into organizations whose activities are not to official Washington's liking. Their task is to use any means, to include falsifications and forgery, to prove that these organizations are terrorist organizations. And this becomes almost anecdotal when an agent bombs the chief with dispatches that say that nothing illegal has been detected and yet the chief demands that they continue "looking." Larceny and break-ins have become a very normal practice in the American FBI. And these were the exact means that were used to fill out the information on the 34 million dossiers that are now kept in the FBI. And in doing this, just as during McCarthyism, the police are actively cooperating with the ultra-right, giving them information about "trouble-makers." Government employees are again undergoing checks of their "loyalty." Only now this is being done with the latest technology -- lie detectors.

And the storms caused by the dead senator are especially strong in areas associated with spiritual life. Books were once removed from State Department libraries and burned at McCarthy's orders. Today, under pressure from right-wing organizations, pages are being cut out of works by Shakespeare in school libraries and books by M. Twain, J. Salinger, K. Vonnegut and H. Lee are being "removed."

An organization that is declaring that it is fighting for "academic accuracy" is raging in the country's universities. Its activists are directly demanding that students report instructors who are talking "seditiously." And this cost the black Professor (E. Duby). He was kicked out of his position at New York University for stating in his lecture that Zionism is "just as much a form of racism as are racism and apartheid."

Yes, the facts irrefutably show that even 30 years after McCarthy's death McCarthyism remains as one of the instruments of power available in the United States. And under certain circumstances it can again expand to the dimensions of a national disaster.

POSSIBILITY OF NORWAY JOINING EEC EXAMINED

Moscow PRAVDA in Russian 22 May 87 p 5

[Article by PRAVDA correspondent M. Kostikov under the rubric "International Notes": "Norway Being Nudged into the EEC"]

[Text] Will Norway become the 13th member of the Common Market? Today, almost 15 years since a general referendum in which an overwhelming majority of Norwegian voters came out against joining the country to a "Europe of Trusts", a new attempt is being made here to reanimate this question.

As is known, the then ruling social democrats suffered a defeat in the 1972 referendum and at the same time, retiring from power, considered it necessary to announce that Norway would not join the EEC. As an alternative, they proposed a policy of free trade.

The principle advocates of joining the EEC are right-wing and military circles, which by no means cite economic benefits as their main reason. The most important thing, in their view, is the need for Norway to have a "firm political connection" with West Europe in order to oppose supposedly growing Soviet influence in the northern area and to avoid allegedly "dangerous Soviet pressure".

Norway is being urged into the EEC from various sides and in various directions, but with unchanging persistence. And some "progress" has already been achieved here. Since the time when the Norwegians said "no" to the EEC, their ties with the Common Market have expanded steadily, both in trade and fishing and in other areas. Norway has recently decided to participate in the European Space Organization, in its "Eureka" project. Oslo has its own ambassador for EEC affairs in Brussels. A lion's share of Norwegian oil and gas is being used by Common Market members. Praise of the advantages of EEC membership, warnings about the dangers of "remaining on the outside", in isolation, and arguments about the importance of Europe-wide political, military, economic and technological integration are growing louder.

The thesis has even been set in motion concerning a need to "defend Norway from Russian space weapons." This latter argument in favor of Norwegian membership in the EEC was set forth in a recently published book by T. Osmundsen, a personal advisor to the former conservative prime minister, K.

Willoch. It proposes a scenario calling for Norway to join the EEC following the parliamentary elections of 1989. In this connection, the newspaper FRIHETEN, the organ of the country's Communist Party, has noted that "perhaps Osmundsen, specifically with the help of space weapons, has found that "Columbus's egg", which seems to him, and to others who think as he does, to be the future guarantee that Norway will agree to enter the EEC the next time around."

The present social democratic government, headed by Gro Haarlem Bruntland, takes a rather restrained position with regard to the EEC. The cabinet chief noted during a recent meeting with directors of the Common Market that, although association with them is also important for Oslo, the question of Norway's entry into the EEC is not an urgent one at the present time.

In past years, there have been many changes in Europe, and in Norway itself, where some politicians have been replaced by others and where a new generation of voters has appeared. The right-wing, pro-NATO circles which are steadily pushing Norway into the EEC place their hopes precisely in these changes, and also in the relative weakness of the present social democratic government. However, judging from a recent public opinion poll, the negative attitude of a majority of Norwegians toward entering the Common Market remains essentially unchanged. Today, only 18 percent of Norwegians are in favor of membership in the EEC. As earlier, Norway's citizens are afraid that membership in the EEC would serve to strengthen the economic and political dictate of the Common Market and would solve neither the present nor the prospective problems of the country, but would rather only increase them.

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CSO: 1807/325

ITALIAN-MOLDAVIAN JOINT VENTURE FORMED

Moscow IZVESTIYA in Russian 9 May 87 p 2

[Article by L. Dmitriyev, correspondent for the newspaper SOVETSKAYA MOLDAVIYA, Tiraspol, Moldavian SSR: "Italians and Moldavians"]

[Text] The Moldavian production association, Tochlitmash, and the Italian firm, Ottogalli, have signed a protocol on creating modern enterprises for the production of press molds for footwear.

Business ties between Moldavian machine builders and this firm began in 1983, when Tochlitmash acquired a license from it for automated lines for footwear manufactured from polymer materials. Now these machines are being mass produced; they are being used to equip dozens of Soviet enterprises, and the product--strap shoes, boots, and walking shoes--is in constant demand by the consumer.

At the same time considerable problems arose. In particular, there were difficulties with making up equipment sets and with spare parts. The equipment required additional modifications. But probably the most frustrating problem was the quality of the press molds themselves, on which a great deal depends--the style, the external appearance and the quality of the future product. The production of these molds remained a very labor-consuming and complicated process requiring great and painstaking manual labor. Although in its time USSR Minneftekhimprom [Ministry of the Petrochemical Industry] purchased a license in Italy for the manufacture of press molds, as sometimes happens the money was spent, costly equipment was installed but the matter was never brought to a conclusion. It was only after Tochlitmash assimilated the production of automated lines for footwear that it was decided to transfer the outfitting -- that is, the manufacture of press molds -- here.

Things began to go noticeably better. After visiting Tiraspol at the beginning of the year the representatives of the Italian firm gave a high evaluation to Moldavian press molds.

...So what economic conditions does cooperation entail?

According to the protocol that was signed the Italian side acquires for the joint enterprise all equipment and instruments which are not manufactured here. Then in the course of a year the firm will contribute its share of investment capital. In exchange it will receive 350 press molds from Tiraspol each year. All of the remaining products of the enterprise will be sold on our domestic market, and not only on it. A. Bolshakov, the general director of the Tochlitmash production association and Hero of Socialist Labor, in commenting on the agreement that has been reached with the firm, said:

"We are participating in the creation of a joint enterprise primarily in order to produce good, modern, high-quality goods for the Soviet people. But this is in no way excludes the export of these goods to third countries. So we will be selling a certain portion abroad, and this means that foreign currency proceeds will go to us as well as to our partners. It is advantageous for both parties. And naturally we will sell only high-quality products.

"According to our laws the Soviet participant in the enterprise must have control of at least 51 percent of its capital--controlling interest, whereas the foreign partner can hold no more than 45 percent," continues the general director. "The forms of our contributions are easy to predict. Our contribution will include production areas, materials and energy resources. And also personnel: the labor of Tiraspol workers, engineers and employees is also an important contribution of the Soviet side. And the partners? They will supply (in addition to the aforementioned equipment and materials which the USSR does not have) a portion of the personnel as well: specialists, office machinery, and credit and capital as determined in the contract.

8228

CSO: 1825/182

CYPRUS PEACE MARCH AGAINST BRITISH MILITARY BASE

Moscow SELSKAYA ZHIZN in Russian 7 May 87 p 3

[Article by N. Pastukhov, SELSKAYA ZHIZN special correspondent, under the rubric "From the Journalist's Notebook": "Cypriots on a Peace March"]

[Text] Cypriot patriots, led by their democratic parties, are actively fighting against NATO's law-breaking and violence. One of these parties is AKEL (The Progressive Party of the Working People). It was founded in April 1941, during the period of England's colonial rule. As the successor of the Communist Party, which functioned from 1926 to 1941, AKEL has emerged as the organizer of the national liberation struggle of the Cypriot people. During the time when the Cypriot crisis was exacerbated (1963-64) as a result of the interference of NATO imperialist circles in the country's internal affairs, AKEL demanded a peaceful solution to the problem that provided for preserving the independent, sovereign and territorial integrity of Cyprus. This position has brought and is bringing success to the party in parliamentary elections. The general secretary of AKEL is the country's oldest and most popular political figure, E. Papaioannou. AKEL publishes the newspaper "Haravghi" ("The Dawn") and the theoretical political journal "Neos Dimokratisa" ("The New Democrat).

Among the other political parties, I should mention the Democratic Party (DP), which was established in July 1967 in the conditions of the increased crisis in Cyprus which developed following the defeat of a reactionary mutiny and the landing of Turkish troops. DP is a liberal bourgeois, centrist party. It defends bourgeois democratic freedoms and the leading role of private capital and free enterprise. In the area of domestic policy, it speaks out for increased government regulation in the country's economy. In the international arena, it follows a policy of nonalignment and recognizes the importance of the support of the USSR and other socialist countries, but at the same time also gives its due to the role of the United States and West European countries in resolution of the Cyprus question. DP speaks out for the withdrawal of foreign troops and for the provision to Cyprus of reliable international guarantees of its sovereignty and security. The chairman of the DP is S. Kyprianou, the present president of the Republic of Cyprus. There are also other parties, most of them of a centrist persuasion, and also an extreme right-wing one -- the Democratic Rally, which advocates strengthening the NATO alliance and supports anti-communist and anti-Soviet positions.

Among a large number of public organizations holding progressive positions, I would like to mention the All-Cyprus Committee for the Defense of Peace, at the invitation of which our delegation from the Soviet Committee for the Defense of Peace went to Cyprus to participate in a peace march from Larnaca to Dekelia, where a British military base is located.

On one of my free days, I visited the building of the AKEL Central Committee and the editorial offices of "Haravghi". I was received by the paper's director, candidate member of the AKEL politburo, Antonis Christodoulou. He peppered me with questions about how our press publicizes the process of restructuring, what our publications are like, how many letters come in from readers, and what they contain. With regard to "Haravghi", A. Christodoulou said that his paper is also being restructured, that it does not silently avoid difficult questions, that it prints objective and substantive materials, and that it is oriented toward young people. The paper, he added, is popular within the country and is already completely sold out during the morning hours.

At the AKEL Central Committee building, I met with its general secretary, E. Papaioannou. He said that he takes an optimistic view of the upcoming elections and that he is confident that the Cyprus question can be solved on the basis of Soviet proposals -- the only acceptable ones. The activity of AKEL, he emphasized, is focused on convening an international conference on the Cyprus question within the framework of the UN. The holding of such a conference will facilitate withdrawal of all foreign military bases from the territory of the island. Besides this, an international conference will be able to eliminate the dangerous blind alley in which the Cyprus question finds itself and will help to reduce tensions in the eastern Mediterranean Sea. He added that the NATO countries are trying to turn the territory of the island into their own military beachhead for carrying out their expansionist plans.

Even before the peace march, I made a trip to Dekelia, the region of the British base. This is a state within a state. London has even proclaimed part of the highway which runs near the base to be British territory. At its beginning and end there are guard booths with English soldiers. They are able to stop any vehicle and to arrest anyone sitting in it if he seems suspicious to them. The newspaper HARAVGHI citing circles close to the Cyprus military police, reported that a large group of English secret service employees has arrived on the island, many of whom have done service at local English military bases. The present appearance of "intelligence service" agents, the paper points out, is being connected with "ensuring the security" of the British bases. Upon their arrival in Cyprus, the English spread out through the whole country, where they are keeping an eye on persons, particularly foreigners, whom London considers to be "hostile and suspicious elements". The newspaper stresses that these actions of the English special service are a violation of Cyprus's sovereignty. Essentially, the English are attempting to replace Cypriot security organs, to impose their own police regime on the country, "Haravghi" writes.

Another initiator of the increasingly tense situation on Cyprus -- Washington -- is not sitting idly by. Speaking at a press conference in Nicosia, the

chairman of parliament, Vassos Lissaridis told journalists that the increased tension in the eastern Mediterranean Sea and the attempts of the United States to use Cyprus for interventionist purposes in this region are one of the reasons that the Cyprus question has not been resolved by now and finds itself in a dangerous dead-end. Washington, he added, is doing everything it can to hinder the efforts of the UN Secretary General to convene an international conference on Cyprus. The United States is striving to use the territory of the island for militarist purposes, for the establishment of new military facilities in the northern, occupied part of the island and of various kinds of espionage centers.

All these actions are deeply disturbing to the Cypriot public. They are holding rallies, meetings, demonstrations and various kinds of peace marches. One of these, from Larnaca to Dekelia, took place on the island in April. I had the good fortune to participate in this march. An unforgettable spectacle. Ten thousand people (and this is not a small number, if you consider that the population of the republic since the partition of the island comes to somewhere a little over 500,000 persons) with placards and banners, people of all ages, took part in the march. Along the route to Dekelia, local peasants and foreign tourists warmly greeted the march's participants. Many of them joined the procession. The delegation from the Soviet Committee for the Defense of Peace marched in the same rank with AKEL leaders Papaioannou and Khristofiris. I was approached by young men and women who had recently completed studies at Soviet institutions of higher education. Their children were dressed in the Pioneer uniform. There are more than 1000 graduates of Soviet higher education institutions in Cyprus. They have formed their own association, which propagandizes the Russian language and carries on an active struggle for peace on the island.

At the very moment when the peace march was going on, behind the "green line" located near the highway, military maneuvers were taking place, artillery explosions sounded and clouds of black smoke rose above the occupied part of the island. Close to Dekelia a rally was held. Prominent public figures from Cyprus and guests from Greece, Turkey, the United States and the Soviet Union spoke at it. The rally's participants carried banners reading "Down with Nuclear Death!", "For a Just Settlement of the Cyprus Question!", "Down with NATO Bases on our Territory!", "Remove Medium Range Missiles from Europe!", "Long Live an Independent, Sovereign, Unified Cyprus!". In a unanimously approved message to the UN Secretary General, the president of the Republic of Cyprus, and the president of the World Peace Council, it was noted that a just solution of the Cyprus question must make provision for total demilitarization of the island.

When recently receiving the president of Syria, Hafez Asad, in Moscow, Mikhail Sergeyevich Gorbachev, at a meeting with him, expressed support for the nonaligned movement, as a force for peace. He condemned the attempts of imperialism to button up the nonaligned countries on local questions.

The example of Cyprus is clear confirmation of this. NATO strategists are specifically attempting to break down its nonaligned policy by organizing various kinds of provocations against the republic, including the occupation of the island's northern part.

...Meetings with Cypriot patriots, with these peaceful and work-loving people, whose character and beautiful outer appearance harmonize so surprisingly with the picturesque nature of the island of Aphrodite, will remain forever in my memory.

SMALL HUNGARIAN COOPERATIVE SEEKING SOVIET ORDERS

Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 18 Feb 87 p 3

[Interview with Peter Shimsha, chairman of the Vertikum Cooperative in Hungary, by A. Yurkov, SOTSIALISTICHESKAYA INDUSTRIYA special correspondent, Budapest: "'Vertikum' is Accepting Orders: Conversation with the First Chairman of the First Hungarian Cooperative, Which is Seeking Partners in the Soviet Union"]

[Text] [Question] What types of commissions do you prefer, monetary or interest?

[Answer] We are not people who are not concerned about money. But still we prefer work in enterprises and organizations where our workers are provided with comfortable boarding houses.

[Question] Your brigades work throughout the entire country. What is the situation involving labor discipline?

[Answer] We do not have a single recorded case of an individual's appearing at work in an inebriated state. And it has never happened that work was not fulfilled on schedule.

Peter Shimsha is well-known in Budapest because he became the first chairman of the first cooperative in Hungary.

"Is it easy to be first?"

"Well, how should I put it," thinks Peter. Then he smiles. "It's interesting. Whether it is easy--that depends which way you look at it. It can be every such way. Right now things are not easy--I am involved in litigation. But more on that later..."

We are sitting in his office in the evening, much later than the time when business life usually concludes in Budapest. Although this is the "dead season" for the Vertikum cooperative, the chairman does not have too much free time. But he is happy about our meeting--he has his own designs and he does not hide them from me.

"I very much want to receive orders from the Soviet Union, but as of yet I have not found channels for this," he admits honestly.

"What can your cooperative do?"

"Everything."

I look at the chairman with surprise--is he serious? Even Gosplan cannot do everything.

"We can do anything," insists Shimsha.

I ask him to explain. He nods his head and tells me to write.

Eight years ago, in 1978, when the decision was made to organize cooperatives based on capital collected from its members, no one in Hungary hurried to form them. The matter was new, complicated and involved risk--you invest your money, savings from many years of honorable labor, and what happens?

"At that time I said," continued Peter Shimsha, "that I must try the new business. And as a communist, I felt I had to set a good example."

Here we must digress to say that in his youth Peter Shimsha had a reputation as an inveterate spelunker and mountain climber. And who would think that this passion would perform a good service for him as regards his pioneering work and would become the basis for his economic enterprise? He sent out a call and his mountain climbing friends responded. Nine persons gathered together, and they registered the first cooperative in the country, which operated during the time they were free from their main jobs.

"Peter, why does the cooperative consist of specialists from such exotic areas?"

"This is both natural and accidental. It is natural because a small cooperative would hardly be able to withstand competition against industrial enterprises which have modern equipment at their disposal. The cooperative must deal with carrying out jobs which state enterprises do not get to--jobs that require flexibility, speed and resourcefulness."

"And what about the accidental?"

"The accidental has to do with the fact that an acquaintance, a director, complained that in his plant a brick chimney had deteriorated and was about to collapse. It was impossible to blow it up because nearby were operating shops. The director had turned to specialists of a state organization, which wanted 2 million forints from the plant and which offered a work completion schedule that was unsuitable for the plant. But there was no one else to go to, to turn to."

"And here you appeared..."

"No, this conversation gave me the idea to call my friends, to form a cooperative and to take these 2 million."

"Did you get them?"

"No again. We circled the chimney, made an estimate and decided that we would do all the work for 600,000 forints and in a shorter time."

Peter Shimsha looked slyly at me and asked whether I thought this decision was a strange one. I said that I did not and the chairman began laughing with pleasure.

"Correct, there is nothing strange here. After all, we were starting something new in the country and did not want to become known as self-seekers. And I, as a communist, recognized my elevated responsibility--others will follow us and will imitate us in some way. The years have shown that we did not err. Now 400,000 forints are charged for this kind of work and it is completed even more quickly than we did then."

This chimney became a good marker in the history of the cooperative. As it was the cooperative was getting a lot of national attention--after all, it was the first in the country!--and here in addition we had fulfilled the agreement's conditions brilliantly and we had a good, even very good wage, although a supplementary one. After all, the workers received their main wages at their main job. Whereas they began, as Peter Shimsha had said, with one table, one bag and their personal mountain climbing gear, by 1980 so many orders poured in that they had to leave their previous jobs. The cooperative became their primary place of work. It grew to 120 people, and last year annual turnover reached 150 million forints (this is about 9 million rubles).

"How did you experience such rapid growth?"

"I have already told you," patiently explained the chairman, "it was by means of expanding the sphere of unique and, if I can call them that, small production operations, which state organizations either did not carry out or carried out badly, or react slowly to."

"For example?"

"Well, let's say the ferroconcrete structures at thermal power plants with the aid of which water is cooled..."

"Cooling towers..."

"That's right," Peter Shimsha was pleased at the short prompt. "They wear out, and the old ones must be dismantled so new ones can be built. This is expensive. We discovered a method to restore them."

"The cooling towers?"

"Yes. And not only them but all ferroconcrete structures. Hungarian industry produces chemical agents which can be used to treat ferroconcrete structures

to double their life. Before us these agents were used on a very limited basis although it was known that it was possible to expand their range of action. We put this knowledge to use rapidly. The restoration of one cooling tower costs 8-10 million forints."

The chairman begins to give me technical details about this work and I understand that the cooperative works not like smallholders but in contact with many organizations--with designers who designed these cooling towers, with chemists who developed the formulas for the strengthening agent, with technologists who have developed the technology for cooling the water and with many other specialists. Everything is done efficiently and dependably and certainly scientifically. This is why the income of the cooperative, at least during the first 5 years, has doubled annually.

"Does the success of the cooperative give rise to conflicts?"

Peter Shimsha answers immediately:

"Very pointed ones at that. Let us look at wages, for example. In a state enterprise a good welder receives 7,000 forints. In our cooperative he can earn 35,000 forints per month. You cannot explain to everyone that our welder does not work 'from' and 'to' but as much as necessary. Although we pay more not to the one who works most but to the one who works with better results."

"Does everyone in your cooperative have such high wages?"

"No. Of course they are higher than in state enterprises, but their spread is from a factor of 1.5 to 5."

"Based on the principles of social justice, is it a good thing that in the cooperative the wages are higher than in the state enterprise? Isn't this fraught with certain consequences?"

"Do you mean the transfer of cadres?"

"That too."

The chairman waves his hand tiredly. He has often had to converse on this subject and the subject bores him. Our further conversation confirms my hunch.

"What about compensation for risk?" he asks me point blank.

"What risk?"

"Remember, at the beginning of our conversation I mentioned the litigation. Well, two unscrupulous people accepted into the cooperative spent 10 million, promising good profits, but their work turned out to be useless. Ten million forints flew out the window."

"If this had happened in a state enterprise it would have been written off--new work always involves risk. We cannot write it off on anyone because the

cooperative's basic capital is our own money. And if someone incurs losses for us then actually each one of us must fork out the money from our own pockets. That is, if we are not successful in court with the embezzlers, as in our case."

"Incidentally," continues my collocator, "this is also an indirect response to the cadres question. We accepted both of these people for work as promising and capable specialists-electricians. And they turned out to be self-seekers and adventurers. They took work upon themselves that they were clearly not capable of."

"This means," I clarified, "that someday the cooperative could simply go bankrupt."

"It can."

"And then what?"

"We will dissolve it. It cannot operate at a loss. We are financing ourselves."

"And what if you obtain a loan in order to correct the situation?"

"The bank does not provide credit for an unprofitable cooperative. And even if it does the terms are very unfavorable, and in my opinion it is better to dissolve the cooperative than to become involved in credit. But this is decided by a general meeting of the members of the cooperative. Incidentally, it can dissolve the cooperative when things are going well too."

"And how do you distribute profits?"

"According to each individual's actual contribution."

"All profits?"

"No. First we pay taxes, and in Hungary they are high. Out of the remaining sum we allot something to the development fund and incentives fund. Every brigade receives a sum from these funds in proportion to its contribution to the profits of the cooperative."

"As chairman, are you pleased with your undertaking?"

"Yes, I am, both as an engineer and as a communist. Life itself and the strategy to strengthen the economy gave rise to the appearance of cooperatives in Hungary. We were first to take on this task and we are dealing with it successfully. The fact that turnover in the cooperative doubles each year speaks for itself. We have proven that small enterprises can play a large role in strengthening the country's economy by means of, first and foremost, responding flexibly to problems that may arise. Now we want to move outside the framework of our country. This is why we are trying to obtain orders from the Soviet Union."

The cooperative is ready to do any legally-sanctioned work, including:

--Underwater work related to strengthening, erecting and dismantling structures and constructions, as well as minor repairs of vessels. The examination, hoisting and blowing out of underwater objects.

--Hydrologic research of karst regions, exploration for water sources and possibilities for stores in the earth's crust.

--Development and installation of flexible systems for keeping account of work time, a system of production controls (automatic registration of preventative and repair operations), other types of account keeping and controls with the use of their own microcomputer terminals.

--Supply of computer peripherals and programs, development of ways to protect bank data from unauthorized access.

--Prevention of corrosion of ferroconcrete structures. Moreover, with the use of special technology, full restoration of the original strength of concrete.

--Using an original patent, pressure-treatment of steel fittings on the surface of previously-existing concrete structures and buildings.

--A separate group of specialists carries out interior and exterior cleaning of special capacities (petrochemical, food and others) and can also protect them from corrosion with the aid of patented robotechnical equipment.

All of the aforementioned and other similar work is performed rapidly by specialists. Quality is guaranteed.

8228

CSO: 1825/180

NEW U. S. IMMIGRATION LAW ACCUSED AS OVERTLY ANTI-MEXICAN

Moscow SELSKAYA ZHIZN in Russian 28 May 87 p 3

[Article by V. Paramonov, NOVOSTI correspondent, specially for SELSKAYA ZHIZN: "They Call Them `Braceros'"]

[Text] Mexico--The Rio Bravo is the deepest river south of the Mississippi. For more than a hundred years (since the United States tore more than half of its territory from Mexico) it has been the boundary between the two countries. Perhaps this is why it has often been difficult to call their relations good neighborly ones; the water artery has two names. It is the Rio Grande on the territory of the American state of Texas. After the border city of El Paso, however, it is called the Rio Bravo del Norte. For decades, tens of thousands of Mexicans, whom necessity drove to search for a living in the north, have swum or waded across the river. The hard work during tomato harvesttime in the fields of Florida, the harvesting of citrus fruit in California, the care of cattle in Texas plus the daily "black" work in the sweltering kitchens of Las Vegas restaurants and in the slaughterhouses of Chicago -- these are the work areas of the "braceros" as they call the Mexicans because they sell their "brasos" -- their working hands.

However, difficult times have come even for the prosperous United States of America. Many reasons have caused the closing of enterprises, inflation and unemployment. Those who created the riches of the "blessed" American South by their work now seem superfluous.

The U. S. press has begun an open anti-Mexican campaign. Here are typical headlines of newspaper articles: "We Have Lost Control of Our Borders" and "Americans Are the Victims of a Silent Invasion and the Object of a `Dark-Complexioned Threat' from the Mexicans." They agreed even before the statement that "in several years, immigration from Mexico will present a greater threat to the United States than the Soviet Union!" These attitudes have also taken possession of the U. S. Congress. A bill entitled "On Illegal Workers" has been mechanically turned out on the wave of chauvinism heated up by the mass information media. The document, which has received the name "Simpson-Rodino Law" from the name of its authors, went into effect three weeks ago.

In accordance with this frankly racist proposal, all of those, who cannot prove that they have lived in the United States without a break since 1 January 1982, must be deported from that country. Those, who arrived in the country before that time, receive an "amnesty": They are legalized and made "ordinary" workers who pay taxes and social security deductions to the treasury. True, the Mexican newspaper EXCELSIOR correctly writes that even the legal "braceros" still will not be able to enjoy the same rights which are provided to native Americans.

According to various estimates, from 5.5 to 7 million foreigners are living illegally in the United States today. After long months of "invisible life" (often under an assumed name), only half of them will dare to appear in an immigration section in order to apply for the "amnesty." A genuine roundup will be organized for those who do not do this.

Researchers at the Colegio de Mexico scientific center call the racist law the "strongest U. S. attack against Mexico during recent decades." In their opinion it reflects a policy of their "northern neighbor" that is aimed at weakening Mexico's position in international affairs.

Washington does not miss a chance to demonstrate its ability to "punish" some country or other whose foreign policy is not to the tastes of "Uncle Sam."

For each case of Mexico's "poor conduct" -- be that its position within the "Contadora Group" or its activity within the "Delhi Six" (here, incidentally, Mexico is one of the most interested states since it is a country that is located in dangerous proximity to the test site in Nevada), "the country of the Aztec eagle", must be punished. First, there was the political subversive activity under the flag of the "struggle against the drug trade" when the United States wanted to shift the blame for the increase in its own drug addiction to Mexico. Next, there was the trade embargo on a number of Mexican export products. "Sanctions" -- the policy in the area of oil prices -- is in the same cartridge clip. And now, the "Simpson-Rodino Law" is another weapon "to punish it for disobedience."

8802

CSO: 1807/348

TEXT OF SOVIET-CHINESE CONSULAR CONVENTION

Moscow VEDEMOSTI VERKHOVNOGO SOVETA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK in Russian No 17, 29 Apr 87 pp 234-251

[Text of consular convention between the USSR and the PRC]

[Text] 225. CONSULAR CONVENTION BETWEEN THE UNION OF SOVIET SOCIALIST REPUBLICS AND THE PEOPLE'S REPUBLIC OF CHINA

The Union of Soviet Socialist Republics and the People's Republic of China,

Guided by a desire for further development of consular relations between the two states,

Keeping in mind that the consular convention signed in Peking on 23 June 1959 between the Union of Soviet Socialist Republics and the People's Republic of China is in need of updating,

Have resolved to conclude the present consular convention and to this end have agreed to what follows below.

SECTION I: DEFINITIONS

Article 1

The terms given below have the following meanings in the present convention:

- 1) "Consular institution" means the consulate general, the consulate, the vice consulate or the consular agency;
- 2) "Consular district" means the region in the state assigned to the consular institution for performing consular functions;
- 3) "Head of the consular institution" means the person authorized by the state being represented to be in charge of the consular institution;
- 4) "Consular official" means a person, including the head of the consular institution, who in this role has been entrusted to perform consular functions;

- 5) "Employee of consular institution" means the person who performs administrative and technical functions or service functions in the consular institution;
- 6) "Worker of consular institution" means consular officials and employees of the consular institution;
- 7) "Private home servant" means a person employed especially for private service for workers of the consular institution;
- 8) "Consular premises" means buildings or parts of buildings and land they are on, especially granted for utilization by the consular institution, regardless of who has the right to own them;
- 9) "Consular archives" means all business papers of the consular institution, documents, correspondence, codes, figures, registers and technical working equipment and also equipment intended for storage and protection;
- 10) "Citizen of the represented state" means a physical person and, where applicable, it also means a corporate body;
- 11) "Ship of the represented state" means a ship which, in keeping with the legislation of the state represented, has the right to sail under the flag of this state with the exception of military ships;
- 12) "Aircraft of the represented state" means an aircraft registered in the represented state which has its emblems, with the exception of military aircraft.

SECTION II: THE OPENING OF CONSULAR INSTITUTIONS AND THE APPOINTMENT OF WORKERS IN CONSULAR INSTITUTIONS

Article 2: THE OPENING OF CONSULAR INSTITUTIONS

1. The represented state can open a consular institution on the territory of the state of residence only with the agreement of this state.
2. The location of the consular institution, its class, and its consular district, and also any changes related to this, are determined by an agreement between the represented state and the state of residence.

Article 3: APPOINTMENT AND RECOGNITION OF HEAD OF CONSULAR INSTITUTION

1. Before the appointment of the head of a consular institution the represented state must be convinced diplomatically that this person will receive the agreement of the state of residence to be recognized as the head of the consular institution.

In the event that the state of residence does not agree to this recognition, it must justify its decision.

2. After obtaining agreement, the represented state must submit through diplomatic channels to the state of residence a certificate or note of appointment of the head of the consular institution. The statement or note must indicate the full given name, surname, position and rank of the head of the consular institution, the location of the consular institution, and its class and consular district.

3. Before receiving the certificate or note concerning the head of the consular institution, the state of residence, within the shortest possible period of time, issues to the head of the consular institution an order or informs him with a note that he is permitted to begin to perform his functions.

4. The head of the consular institution can begin to perform his functions immediately upon receiving written confirmation from the state of residence. Before receiving this confirmation the head of the consular institution, with the agreement of the state of residence, can perform his functions temporarily.

After the state of residence has confirmed the appointment of the head of the consular institution or has permitted him temporarily to perform his functions, he must immediately notify the appropriate authorities of the consular district of this and take all necessary measures so that the head of the consular institution can perform his functions and take advantage of the rights, privileges and immunities envisioned by the present convention.

Article 4: TEMPORARY PERFORMANCE OF FUNCTIONS OF THE HEAD OF THE CONSULAR INSTITUTION

1. If the head of the consular institution for some reason cannot perform his functions or if this position is vacant, the represented state can authorize a consular official of this or another consular institution in the state of residence or one of the members of the diplomatic personnel of his diplomatic representation in the state of residence as deputy head of the consular institution. The represented state must promptly notify the state of residence of the full surname, given name, position and rank of the deputy head of the consular institution.

2. The deputy head of the consular institution enjoys the rights, privileges and immunities granted by the present convention to the head of the consular institution.

3. A member of the diplomatic staff appointed temporarily to perform the duties of the head of the consular institution continues to enjoy the diplomatic privileges and immunities granted to him according to his diplomatic status.

Article 5: NOTIFICATION OF ARRIVAL AND DEPARTURE

1. The represented state in written form notifies the appropriate authorities at the place of location of the consular institution of the following:

1) The full surname, given name, position and rank of workers of the consular institution, the date of their arrival and final departure or curtailment of their functions, and also changes in their official position that have taken place during the period of work in the consular institution;

2) The date of arrival and final departure of members of families of workers of the consular institution and private household servants, and also changes in their status.

2. Competent authorities of the state of residence issue workers of the consular institution and their family members the appropriate certificates.

Article 6: THE CITIZENSHIP OF CONSULAR OFFICIALS

Only a citizen of the represented state can be a consular official but he need not be a person living permanently in the state of residence.

Article 7: ANNULMENT OF THE ACCEPTANCE AND CURTAILMENT OF RECOGNITION

1. The state of residence can at any time, without being obligated to justify its decision, notify the represented state through diplomatic channels that one or another consular official is a "persona non grata" or that one or another worker of a consular institution is unacceptable. In this case the represented state must recall this individual.

If the represented state does not meet this commitment within a reasonable amount of time the state of residence can correspondingly annul the acceptance of the given individual or refuse to recognize this individual as a worker of the consular institution.

2. A person appointed as a worker of a consular institution can be declared unacceptable before arrival on the territory of the state of residence or, if he is already in the state of residence, before he begins to perform his duties in the consular institution. In these cases the represented state annuls his appointment.

SECTION III: CONSULAR FUNCTIONS

Article 8: FUNCTIONS OF A CONSULAR OFFICIAL

The functions of a consular official are:

1) To protect the rights and interests of the represented state and its citizens and also to render assistance to citizens of the represented state;

2) To contribute to the development of relations between the represented state and the state of residence in the trade, economics, cultural, sports, scientific-technical, tourist and other areas;

3) To clarify in all legal ways the position in the political, trade, economic, cultural, sports, scientific-technical, and other areas of the state of residence and to notify the government of the represented state of this;

4) To perform other functions sanctioned by the represented state which are not prohibited by the laws and rules of the state of residence to which the state of residence has no objections.

Article 9: FUNCTIONS CONCERNING QUESTIONS OF CITIZENSHIP AND CERTIFICATES OF REGISTRATION

1. A consular official has the right:

1) According to the laws of the represented state, to accept petitions regarding questions of citizenship;

2) To keep track of citizens of the represented state;

3) To register the birth and death of citizens of the represented state and to issue the corresponding certificates according to the legislation of the represented state under the condition that this does not contradict the legislation of the state of residence;

4) To register in keeping with the legislation of the represented state or, if this does not violate the legislation of the state of residence, marriages under the condition that both individuals entering into the marriage are citizens of the represented state, and to issue certificates of marriage.

2. Provisions of Point 1 of the present article do not relieve involved individuals of the obligation to observe the laws and rules of the state of residence.

Article 10: ISSUANCE OF PASSPORTS AND VISAS

The consular official has the right to issue, extend and nullify passports, entry, entry-exit, transit and other visas, and also similar documents, and to make changes in them.

Article 11: NOTARY AUTHENTICATION AND LEGALIZATION

1. In keeping with the laws and rules of the represented state, the consular official has the right:

1) On the request of any individual, regardless of his citizenship, to issue him various documents to be used in the represented state;

2) On the request of citizens of the represented state, to issue them various documents for use in the state of residence or outside it;

3) To translate documents into the official language of the represented state or the state of residence and to certify the correctness of this translation;

- 4) To authenticate documents issued by competent authorities of the represented state or the state of residence;
- 5) To draw up, certify and accept for storage wills of citizens of the represented state;
- 6) To draw up and certify documents and transactions between citizens of the represented state so long as these documents and transactions do not violate the legislation of the state of residence and do not affect the establishment or transfer of rights to real estate; to draw up and certify documents and transactions between citizens of the represented state, on the one hand, and citizens of other states, on the other, to the extent that these documents and transactions pertain exclusively to property or rights in the represented state and affect affairs subject to examination in this state under the condition that these documents and transactions do not violate the legislation of the state of residence;
- 7) To certify signatures of citizens of the represented state on any kinds of documents;
- 8) To accept for storage property and documents of citizens of the represented states to the extent that this does not violate the legislation of the state of residence.

2. Documents drawn up, certified or translated by consular officials in keeping with Point 1 of the present article will be considered in the state of residence as documents with the same legal status and force of proof as if they were documents drawn up, certified or translated by authorities and institutions of the state of residence under the condition that they correspond to the legislation of the state of residence.

If necessary, according to the legislation of the state of residence documents must be authenticated.

Article 12: DEALING WITH CITIZENS OF THE REPRESENTED STATE

1. A consular official can meet and communicate with citizens of the represented state, give them advice and render all kinds of assistance, including taking measures for rendering legal assistance.

The consular official can appeal to competent authorities of the state of residence for assistance in searching for missing persons of the represented state who are living permanently or temporarily on the territory of the state of residence.

The state of residence in no way limits the dealings of citizens of the represented state with the consular institution or their access to the consular institution.

2. If the citizen of the represented state is arrested, detained or deprived of freedom in any form within the consular district, the competent authorities of the state of residence notify the consular institution of this within 7 days.

3. The consular official has the right to advise a citizen of the represented state who has been arrested, detained, or deprived of freedom in any form and is spending time in jail, to communicate and meet with him and render him legal assistance. Competent authorities of the state of residence, on request from the consular official, must organize a meeting between the consular official and the indicated citizen of the represented state within 3 days after notification. Further visits can be made at reasonable time intervals.

4. Competent authorities of the state of residence must immediately notify the citizen of the represented state who has been arrested, detained or deprived of his freedom in another form of his rights in keeping with the provisions of Points 1 and 3 of the present article.

5. The rights envisioned in the present article are provided in keeping with the laws and rules of the state of residence. But the application of laws and rules of the state of residence must not limit the exercise of the rights envisioned in the present article.

Article 13: GUARDIANSHIP AND PATRONAGE

1. Competent authorities of the state of residence when they are given information notify the consular official of the need to appoint a guardian or trustee for a citizen of the represented state who is living permanently on the territory of the state of residence.

2. The consular official cooperates on the issue indicated in Point 1 of the present article with the competent authorities of the state of residence and, if necessary, recommends a person for performing the duties of a ward or guardian in keeping with legislation of the state of residence.

3. If a judge or other competent authorities of the state of residence think that the proposed person is unacceptable as a ward or guardian for some reason, the consular official can suggest another candidate.

Article 14: REPRESENTATION OF CITIZENS OF THE REPRESENTED STATE

If a citizen of the represented state cannot protect his rights and interests in the state of residence because of absence from the state of residence or for other reasons, the consular official can, without any special permission, represent this citizen in courts and other agencies of the state of residence or provide him with the proper representation until the given citizen appoints his own authorized representatives or takes over the protection of his own rights and interests.

Article 15: MEASURES FOR PROTECTING INHERITED PROPERTY

1. With the information available the competent authorities of the state of residence in the shortest possible period of time notified the consular institution of all cases of death in the state of residence of citizens of the represented state and, at his request, issues a death certificate or a copy of another document confirming the facts of the death.

2. In the event that the deceased citizen of the represented state has left an inheritance in the state of residence, the competent authorities of the state of residence within the shortest possible period of time informed the consular institution of the property that has been left, the heirs, the recipients of bequests, and also of the existence of the notification.

3. The consular official can request the permission of competent authorities of the state of residence to be present when they catalogue and close with an official seal the inherited property indicated in Point 2 of the present article.

4. If any citizen of the represented state has been given the right to inherit or receive the property of the deceased in the state of residence of a person of any citizenship, even if this citizen of the represented state is outside the state of residence, the competent authorities of the state of residence, if they have the necessary information, must notify the consular institution that the given citizen of the represented state is the heir or recipient of a bequest.

5. The consular official can, on behalf of the citizen of the represented state, if the citizen is not in the state of residence, receive from the court and other authorities or individuals money or other property belonging to the citizen as a consequence of the death of some individual, including an inheritance, the payment of compensations and sums coming from insurance and can turn this money and property over to the indicated citizen.

6. In the event of the death of the citizen of the represented state who is temporarily in the state of residence, and also if the deceased has no relatives or representatives in the state of residence and has left to them things not related to the commitments the deceased made during the time he spent in the state of residence, the consular official has the right to obtain, store and turn over the things that are left to the proper person.

Article 16: ASSISTANCE TO A SHIP OF THE REPRESENTED STATE

1. The consular official has the right within his consular district to render assistance to a ship of the represented state that is in the internal and territorial waters of the state of residence, including ports and other moorage places, and also to the captain and members of the ship's crew, including:

1) To board the ship, hear the report of the captain about the ship, cargo and circumstances of sailing, and the captain and crew members of the ship can communicate with a consular official as soon as the ship has been permitted to conduct free relations with shore authority;

2) Without impinging on the rights of competent authorities of the state of residence, to investigate incidents occurring during the sailing of the ship;

3) Without detriment to the rights of the competent authorities of the state of residence, to resolve in keeping with the legislation of the represented state disputes between the captain and crew members, including disputes pertaining to wages and the hiring agreement;

4) If necessary, to provide for treatment in a hospital or repatriation of the captain or crew member;

5) To receive, verify, issue, certify or authenticate documents regarding the ship;

6) In the event of the acquisition of a ship abroad, to give a temporary certificate of the right of this ship to sail under the flag of the represented state.

2. When performing the functions envisioned by the present article, the consular official can request assistance from the competent authorities of the state of residence.

Article 17: PROTECTION FROM COERCIVE MEASURES TAKEN AGAINST A SHIP OF THE REPRESENTED STATE

1. In the event that courts or other competent authorities of the state of residence intend to take coercive actions against ships of the represented state or to conduct an official investigation on board, they must first notify the consular institution of this so that a consular official or his representative can be present when these actions are taken. If the preliminary notification of the consular institution is impossible because of a shortage of time caused by the urgency of the problem, the competent authority of the state of residence notify the consular institution immediately after taking action and, upon the request of the consular official, present complete information about these actions within the shortest possible period of time.

2. The provisions of Point 1 of the present article apply to cases in which the competent authorities of the state of residence, in keeping with Point 1, take similar measures against the ship's captain or crew members on shore.

3. The provisions of Point 1 of the present article do not apply to the ordinary passport, customs or sanitation inspection carried out by competent authorities of the state of residence.

4. Except for when the captain or consular official makes a request or with their agreement, competent authorities of the state of residence cannot intervene in the internal affairs of a ship of the represented state.

Article 18: ASSISTANCE TO A SHIP OF THE REPRESENTED STATE THAT IS IN DISTRESS

1. If a ship of the represented state has been shipwrecked, has run aground, or has sustained other serious damage in internal or territorial waters or the coastal zone of the state of residence, competent authorities of the state of residence will notify the consular institution of this as quickly as possible, and also give notification of measures taken to save passengers, crew members, the ship, cargo and other property.

2. The consular official has the right to take measures to render assistance to a ship of the represented state that is in distress, crew members and passengers, and for these purposes it can also appeal for help to the authorities of the state of residence.

3. If the ship of the represented state which is in disaster, its rigging or cargo are found near the coast of the state of residence or are delivered to the port of this state, and the captain or owner of the ship, a representative of the shipping line or the insurance agent are absent, or they are not in a condition to take measures to protect this property or dispose of it, the competent authorities of the state of residence will notify the consular institution of this as soon as possible.

The consular official can without any special authorization, on behalf of the owner of the ship of the represented state, take measures to preserve or dispose of the damaged ship and property that has been removed from it.

4. If the damaged ship of the represented state and also its cargo, riggings and foodstuffs have been delivered not for sale or use in the state of residence, they are not subject to customs duties or other collections of the state of residence.

Article 19: AIRCRAFT OF THE REPRESENTED STATE

The provisions of Articles 16, 17 and 18 of the present convention pertaining to ships of the represented state, are equally applicable to its aircraft.

Article 20: CONSULAR FEES

The consular institution can impose consular fees envisioned by legislation of the represented state on the territory of the state of residence.

Article 21: PERFORMANCE OF CONSULAR FUNCTIONS IN THE CONSULAR DISTRICT AND OUTSIDE IT

The consular official can perform consular functions only in his consular district. With the agreement of the state of residents he can also perform consular functions outside his consular district.

Article 22: CONTACT WITH AUTHORITIES OF THE STATE OF RESIDENCE

In connection with the performance of his functions the consular official can deal with competent authorities of the consular district and also competent central agencies of the state of residence to the extent that this is allowed by the laws, rules and customs of this state.

Article 23: PERFORMANCE OF CONSULAR FUNCTIONS BY THE DIPLOMATIC REPRESENTATION

1. The diplomatic representation of the represented state notifies the minister of foreign affairs of the state of residence of the full surname, given name, position and rank of diplomatic personnel performing consular functions.

2. The rights and responsibilities of consular officials envisioned by the present convention apply to diplomatic personnel of the diplomatic representation of the represented state in the state of residence who have been charged with the performance of consular functions in this representation.

3. Diplomatic personnel assigned consular functions continue to enjoy the rights, privileges and immunities granted to them because of their diplomatic status.

SECTION IV: PRIVILEGES AND IMMUNITIES

Article 24: PROVISION OF CONDITIONS FOR THE PERFORMANCE OF ITS FUNCTIONS BY THE CONSULAR INSTITUTION

The state of residence grants all opportunities for the performance of its functions by the consular institution. It provides protection for workers of the consular institution and takes all necessary measures so that the workers of the consular institution can perform their duties and take advantage of the privileges and immunities in keeping with the provisions of the present convention.

Article 25: CONSULAR AND RESIDENTIAL PREMISES

1. The represented state or its authorities, within the limit stipulated by legislation of the state of residence, have the right to acquire as property, rent, construct or acquire by other means for the needs of the consular institution and as residential premises for workers of the consular institution buildings or parts of buildings and surrounding land with the exception of residential premises of workers of the consular institution who are members of the state of residence or individuals living permanently in it.

2. The state of residence renders assistance to the represented state in obtaining consular premises according to the provisions of Point 1 of the present article and, if necessary, also assists the represented state in obtaining suitable residential premises for workers of the consular institution.

3. The provisions of Point 1 of the present article do not relieve the represented state of the need to observe laws and rules concerning construction and urban planning that are applied in the region of the location of the corresponding land, buildings, parts of buildings and auxiliary facilities.

Article 26: UTILIZATION OF THE STATE FLAG AND SEAL

1. The represented state has the right to fasten to the building of the consular institution its own state seal and shield with the name of the consular institution in the languages of the represented state and the state of residence.

2. The represented state has the right to raise its state flag over the building of the consular institution, the residence of the head of the consular institution and his means of transportation that are used in performing his official duties.

3. When exercising the rights envisioned in the present article, one must pay attention to the laws, rules and customs of the state of residence.

Article 27: THE INVIOLABILITY OF CONSULAR PREMISES AND RESIDENTIAL PREMISES OF CONSULAR OFFICIALS

1. Consular premises are inviolable. The authorities of the state of residence cannot enter them without the agreement of the head of the consular institution or the head of the diplomatic representation of the represented state in the state of residence or individuals appointed by one of them.

2. In the event of a fire or other natural disasters in the consular facilities that threaten the safety of citizens and property and also buildings belonging to the state of residence that are in the neighborhood, this agreement must be given within the shortest appropriate amount of time.

3. Property of the consular institution and workers of the consular institution is immune from search, arrest or executive actions.

4. The state of residence has the special obligation to take all necessary measures to protect the consular premises from intrusion and damage and to prevent disturbance of the peace of the consular institution or offense to its dignity.

5. The provisions of Points 1 and 4 of the present article also apply to residential premises of consular officials.

Article 28: THE INVIOLABILITY OF CONSULAR ARCHIVES

Consular archives are inviolable, regardless of the time and their place of location.

Article 29: FREEDOM OF RELATIONS

1. The state of residence must permit and protect the freedom of relations of the consular institution for all official purposes. In order to conduct relations with the government, diplomatic representations, and also other consular institutions of the represented state the consular institution can take advantage of all appropriate means of communication, including coded dispatches, diplomatic or consular couriers, and diplomatic or consular pouches. The consular institution may install and operate a radio transmitter only with the agreement of the state of residence.

2. Official correspondence of the consular institution is inviolable. The consular pouch must not be opened or detained. The consular pouch should be stamped and have clear external markings indicating what it is, and it can contain only official correspondence, documents and objects intended exclusively for the official use of the consular institution.

3. The consular courier can only be a citizen of the represented state who is not living permanently in the state of residence. He must have an official document that certifies his identity. The consular courier when on the territory of the state of residence has the same rights, privileges and immunities as diplomatic couriers do.

4. The consular pouch can be entrusted to the commander of an aircraft or the captain of a ship of the represented state. This commander or captain is supplied with an official document indicating the number of items comprising the diplomatic pouch, but he is not considered to be a consular courier. With the agreement of the corresponding authorities of the state of residence, the consular official can directly and without hindrance accept or turn over the consular pouch to the commander of an aircraft or the captain of a ship.

Article 30: FREEDOM OF MOVEMENT

To the extent that this does not violate the laws and rules of the state of residence concerning regions where entry is prohibited or restricted out of considerations of state security, workers of the consular institution are permitted to move freely within the consular district.

Article 31: IMMUNITY OF THE PERSONS OF CONSULAR OFFICIALS

Consular officials have personal immunity. They are not subject to arrest or detention in any form. The state of residence must deal with consular officials with the proper respect and take all necessary measures to prevent encroachment on their persons, freedom or dignity.

Article 32: IMMUNITY FROM JURISDICTION

1. Consular officials have immunity from criminal, civil or administrative jurisdiction of the state of residence with the exception of the following civil cases:

- 1) Those arising from an agreement concluded by the consular official in which he acts directly or indirectly on behalf of the represented state;
- 2) Those arising as a result of harm caused by road transportation, a ship or an aircraft in the state of residence for which reimbursement required a third party;
- 3) Those pertaining to private property on the territory of the state of residence if it is not owned on behalf of the represented state for consular purposes;
- 4) Those pertaining to inheritance, when the officials are acting as the executor of a will, the trustee of inherited property, or the heir as private individuals and not on behalf of the represented state;
- 5) Those pertaining to any professional or commercial activity they provide on the state of residence outside their official functions.

2. In the event that the state of residence takes executive measures in connection with the provisions presented in Point 1 of the present article, the inviolability of the person of consular officials and the inviolability of their residential premises must be respected.

3. Workers of the consular institution are not subject to criminal, legal or administrative jurisdiction of the state of residence in that which pertains to their job activity with the exception of civil suits presented in subpoints 1 and 2 of Point 1 of the present article.

4. Workers of the consular institution are not subject either to arrest or deprivation of freedom in any form other than upon their being accused by judicial authorities of committing actions that are punishable under the law of this state or on the basis of a court sentence that has gone into legal force.

In the event of the arrest or detention of a worker of the consular institution, the state of residence must immediately notify the head of the consular institution of this.

Article 33: TESTIMONY FROM WITNESSES

1. A consular official is not obligated to give testimony as a witness.
2. A worker of a consular institution can be called to give testimony before courts or other competent authorities of the state of residence. He can refuse to give evidence concerning circumstances pertaining to his job activity.

But in no case is it permitted to take any measures of coercion against a worker of a consular institution.

3. Competent authorities of the state of residence who need the evidence of a worker of the consular institution must avoid interfering in his performance

of his job duties. They can, when necessary, take testimony from this worker in the consular premises or at his home or they can accept written evidence from him.

Article 34: RELEASE FROM LABOR DUTIES AND MILITARY OBLIGATION

Workers of the consular institution are released in the state of residence from any forms of labor or public duties and military obligation. They are also released from all duties envisioned by the laws and rules of the state of residence regarding registration of foreign citizens, the acquisition of permits for residents, and for labor activity to the extent that this pertains to the performance of their work for the represented state and all similar requirements if these are envisioned by the laws and rules of this state of residence with respect to foreign citizens.

Article 35: EXEMPTION OF THE CONSULAR INSTITUTION FROM TAXES

1. Consular premises and residential premises of the worker of a consular institution, the owner or lessee of which in any form is the represented state or an individual acting on its behalf, and also transactions or documents pertaining to the acquisition of this property is free of state, regional and municipal taxes, fees and duties.

2. Property belonging to a represented state or in its possession or use or intended for consular purposes is exempt from taxes and other similar fees.

This provision applies also to cases of acquisition of such property for consular purposes.

3. Consular fees imposed by the consular institution on the territory of the state of residence are exempt from all taxes and other fees.

4. The provisions of Points 1 and 2 of the present article do not apply to:

1) Payment made for specific services;

2) Taxes imposed in keeping with the legislation of the state of residence on people who have completed a transaction with the represented state or its representative.

Article 36: EXEMPTION OF WORKERS OF THE CONSULAR INSTITUTION FROM TAXATION

1. Workers of the consular institution are exempt from all state, local and municipal taxes of the state of residence, with the exception of:

1) Indirect taxes included in the cost of goods and services;

2) Taxes for private property on the territory of the state of residence, with the exceptions stipulated in the provisions of Point 1 of Article 35 of the present agreement;

- 3) Taxes on inherited property, taxes for obtaining an inheritance or taxes on the inheritance and its transfer that are imposed by the state of residence with exceptions envisioned in Article 38 of the present convention;
 - 4) Taxes and fees for private incomes from sources in the state of residence which are not related to job activity;
 - 5) Fees imposed for specific kinds of services;
 - 6) Registration, judicial and enrollment fees, and mortgage and stamp duties, with the exceptions stipulated in Article 35 of the present convention.
2. Wages received by workers of the consular institution from the represented state are not subject to taxes or any other such fees withheld from wages in keeping with the legislation of the state of residence.

Article 37: EXEMPTION FROM CUSTOMS DUTIES AND CUSTOMS INSPECTION

1. The state of residence, in keeping with the laws and rules accepted in it, permits import and export, and also releases from all customs duties, with the exception of fees for storage, shipment and other kinds of services:

- 1) Objects intended for official use of the consular institution, including means of transportation;
- 2) Objects for personal use of consular officials;
- 3) Objects for personal use, including home furnishings for the personal use of workers of the consular institution.

2. Objects mentioned in Subpoints 2 and 3 of Point 1 of the present article must not exceed the quantity necessary for immediate consumption by the corresponding individual.

3. The personal luggage of the consular official is free of customs inspection. It can be inspected only if the competent authorities of the state of residence have substantial reason to assume that it contains objects different from those mentioned in Subpoint 2 of Point 1 of the present article or object whose import and export is prohibited by laws and rules of the state of residence or objects which fall under the quarantine rules. The inspection must be done on the spot in the presence of the corresponding consular official or his representative.

Article 38: INHERITED PROPERTY OF A WORKER OF A CONSULAR INSTITUTION

In the event of the death of a worker of a consular institution or member of his family, the state of residence:

- 1) Permits the export of the property of the deceased with the exception of property which was acquired in the state of residence and whose export is prohibited by the time of the death of the indicated individual;

2) Does not withhold any state, regional or municipal taxes on the inheritance or inheritance taxes from the property which was imported or acquired in the state of residence exclusively in connection with the fact that the deceased person was in this state as a worker of the consular institution or member of his family.

Article 39: PRIVILEGES AND IMMUNITIES OF MEMBER OF FAMILIES OF WORKERS OF THE CONSULAR INSTITUTION

Members of families of consular officials and members of families of workers in the consular institution have the corresponding privileges and immunities that are enjoyed by consular officials and workers of the consular institution in keeping with the provisions of the present convention with the exception of cases stipulated in Point 2 of Article 40 of the convention.

Article 40: INDIVIDUALS NOT HAVING PRIVILEGES AND IMMUNITIES

1. Workers of the consular institution do not have privileges and immunities envisioned by the provisions of the present convention if they are citizens or permanent residents of the state of residence with the exception of cases envisioned in Point 2 of Article 33.

2. Family members of workers of the consular institution do not have immunities and privileges if these individuals are citizens of the state of residence or permanently living in it.

3. Private home servants do not have the privileges and immunities envisioned by the provisions of the present convention.

Article 41: REFUSAL OF PRIVILEGES AND IMMUNITY

1. The represented state can refuse the privileges and immunity enjoyed by the corresponding workers of the consular institution that are stipulated in Articles 32 and 33 of the present convention. In all cases the refusal must be definitely expressed in written form to the state of residence.

2. In keeping with the provisions of the present convention, the initiation of a legal suit by a worker of the consular institution in the event that he could have immunity from jurisdiction deprives him of the right to draw on immunity in relation to any countersuit that is directly related to the basic suit.

3. A refusal of immunity from jurisdiction in civil or administrative cases does not mean refusal of immunity in relation to the implementation of a judicial decision. A separate written statement is necessary for this kind of refusal.

Article 42: RESPECT FOR THE LAWS AND RULES OF THE STATE OF RESIDENCE

1. All persons who in keeping with the present convention are granted privileges and immunities must, without detriment to their privileges and immunities, respect the laws and rules of the state of residence, including the laws and rules that regulate a movement of means of transportation and their insurance. They are also obligated not to intervene in the internal affairs of the state of residence.

2. Workers of the consular institution who are citizens of the represented state must not engage in any professional or commercial activity except the performance of their official duties.

SECTION V: CONCLUDING PROVISIONS

Article 43: RATIFICATION, PUTTING INTO EFFECT AND REPUDIATION OF THE PRESENT CONVENTION

1. The present convention is subject to ratification. The exchange of ratification certificates will take place in Moscow.

The convention will go into effect on the 30th day after the exchange of ratification certificates.

2. The present agreement will remain in force until 6 months from the day when one of the parties to the convention give written notification to the other party to the convention of his intention to repudiate the convention.

3. From the moment the present convention goes into force the consular convention between the Union of Soviet Socialist Republics and the People's Republic of China signed on 23 June 1959 will be null and void.

Executed on 10 September 1986 in Beijing in two copies, each in Russian and Chinese, and both texts have the same force.

For the Union of Soviet Socialist
Republics

For the People's Republic of China

I. Rogachev

Tsian Tsichen

The convention was ratified by the Presidium of the USSR Supreme Soviet on 26 January 1987. The chairman of the People's Republic of China, in keeping with the decree of the Permanent Committee of the All-Chinese Meeting of People's Representatives of the PRC--on 2 December 1986. The exchange of ratification certificates was made in Moscow on 18 March 1987.

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CSO: 1807/315

UZBEK COMMENTARY ON CAUSES OF IRAN-IRAQ WAR

[Editorial Report] Tashkent OZBEKISTON ADABIYOTI VA SAN"ATI in Uzbek on 6 March 1987 carries on page 7 a 1,300-word commentary by Jalil Hazratqulov, chairman of the Faculty for Iranian Philology in the Department of Orientalism of Tashkent State University, and Rahimjon Qodirov, docent to the Faculty of the History of Eastern Peoples of Tashkent State University, entitled "The Iran-Iraq War: Lessons and Consequences" in which they discuss the causes for the outbreak and continuation of the war between Iran and Iraq. According to them, a basic cause of the war is connected with the border problem. The two countries share a 1,500 kilometer land border and 82 km water border. The latter is marked by the Shatt al-Arab river along which are the oil-rich Iranian cities Khurram and Abadan and Iraqi port city of Basra. Neither side observes the several treaties and agreements that have fixed the river border. According to a 1937 agreement the border was on the Iranian bank of the river, but conflicts arose in 1969 when the Shah abrogated this agreement. In 1971, after Iran siezed three islands in the Straits of Hormuz diplomatic relations were severed. In March 1975 the countries signed a pact in which the Shah agreed to cease aiding Kurdish rebels fighting the Iraqi government and Iraq agreed to recognize a border in the middle of the river. However, in September 1980 Iraq demanded that the border be returned to its pre-1975 position, and Iran responded with a refusal to return the lands it occupied.

Another basic cause of the war, according to the authors, is the Kurdish problem. In population the Kurds number second to Arabs in Iraq and over 2 million in Iran. Since the 1960s the Kurds have been fighting both governments for their rights and both governments have tried to exploit this problem to their own advantage. In 1978-1979 the Kurds in Iran began fighting the new government for their independence. Baghdad backed their struggle and also supported the Arabs of the Iranian province of Khuzistan. This province, formerly called Arabistan by Iraq, is the home of Arab tribes like the Kaab, Bani, Lam, Bani Tamim, and Bavi, part of whom live on Iraqi territory.

The authors also point to the colonialist legacy as a cause of conflict between the two countries. They claim that Britain produced a source of border disputes by promising the Arab Sheikh Hazal of Khuzistan to form an independent state in Iran. After the Islamic revolution in 1978-1979 various political and military groups in Iran vied for power. Declining oil exports, unemployment, and devaluation of currency worsened the situation, and then Western countries cut economic ties with Iran after

the taking of U.S. Embassy personnel as hostages in Tehran. Iran intensified hostilities with Iraq in order to quell popular unrest, quiet opposition forces, and increase its authority. Iraqi leaders saw that with the passing of Iran as the major state in the Persian Gulf it could increase their standing in the Arab world, and demanded abrogation of the 1975 agreement. Leaders of both countries tried to strengthen their regimes by appealing to nationalism, chauvinism, and religious fanaticism. International reactionary forces, primarily the United States, Israel, and Saudi Arabia, acted to intensify the conflict. The United States hoped to weaken both sides and strike a blow against Arab unity.

The authors note that on 22 September 1980 the Iraqi army invaded Iran, but was forced to withdraw by July 1982 before the Iranian army which occupied a part of Iraqi territory. In six years Iran has suffered losses amounting to \$200 billion and Iraq has lost no less an amount. In the so-called "War of Tankers" over 230 commercial and military ships of various countries have been lost. Iranian leaders reject Iraqi proposals for an international solution to the conflict and instead demand the removal of Iraqi President Saddam Husein, his trial as a war criminal, and reparations of \$165 billion. Obviously, these demands are unacceptable to Bagdad.

The authors point out that the war has diverted the attention of Arab states from Israeli aggression and made them more inclined to support separate peace agreements like the Camp David Accords. Moreover, the United States has increased its military presence in the Persian Gulf and contributed to the arms race among Arab states in the region. In conclusion, the authors cite as proof of the U.S. administration's exploitation of this fratricidal war the Irangate operation whereby the United States secretly delivered arms to Iran.

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