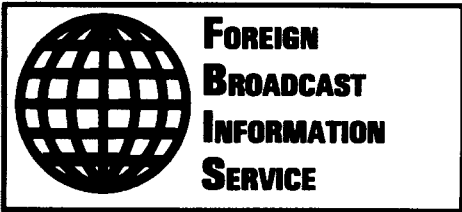


JPRS-UIA-90-006  
18 APRIL 1990

DK  
1  
S731



# ***JPRS Report***

# **Soviet Union**

***International Affairs***

**DISTRIBUTION STATEMENT A**  
Approved for public release;  
Distribution Unlimited

DTIC QUALITY INSPECTED 2

19980128 152



# Soviet Union

## International Affairs

JPRS-UIA-90-006

### CONTENTS

18 April 1990

#### WORLDWIDE TOPICS

- GSSR Foreign Ministry Gains Increased Role [*ZARYA VOSTOKA*, 1 Mar 90] ..... 1

#### EAST-WEST RELATIONS

- Impact of World Grain Trade on Soviet Imports [*A. Sizov; SELSKAYA ZHIZN*, 31 Mar 90] ..... 2  
State Foreign Economic Commission Deputy Chairman On Soviet-EC Trade  
[*I. Ivanov; PRAVITELSTVENNY VESTNIK* No 10, Mar 90] ..... 3

#### THIRD WORLD ISSUES

- Ethnicity Overshadows Class Interests in Africa, Asia  
[*A. Prazauskas, AZIYA I AFRIKA SEGODNYA* No 2, Feb 90] ..... 5

#### GENERAL ECONOMIC AFFAIRS

- Trends in International Arms Trade Noted [*Ye. Mishin; KRASNAYA ZVEZDA*, 15 Dec 89] ..... 7  
'Secrecy' In Foreign Trade Mechanism Decried  
[*Artem Tarasov; SOVETSKAYA MOLODEZH*, 1 Feb 90] ..... 7  
Lithuania Mulls Economic Dependency, Seeks Alternatives [*SOVETSKAYA LITVA*, 6 Mar 90] ..... 11

#### UNITED STATES, CANADA

- Washington Group Urges U.S.-Soviet Deals [*V. Matyash; SELSKAYA ZHIZN*, 3 Apr 90] ..... 16

#### WEST EUROPE

- Swedish Economic System Seen as Possible Model for USSR  
[*A. Milyukov, V. Senchagov; EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO  
PROIZVODSTVA* No 2, Feb 90] ..... 17  
Problems, Successes Of Soviet-Austrian Trade Relations [*Al. Stepanov; PRAVDA*, 11 Mar 90] ..... 23  
Norwegians Divided on Lithuanian Events [*M. Butkov; RABOCHAYA TRIBUNA*, 31 Mar 90] ..... 25  
Brazauskas Meets With FRG Representative [*SOVETSKAYA LITVA*, 15 Dec 89] ..... 25

#### EAST EUROPE

- GDR Political Passions Explored [*G. Belotserkovskiy; RABOCHAYA TRIBUNA*, 1 Apr 90] ..... 26  
New Light Shed on 1948 Soviet-Yugoslav Split [*I. V. Bukharkin; PRAVDA*, 6 Mar 90] ..... 27  
Yugoslav Unions Acquire Political Clout [*A. Poroshin; TRUD*, 7 Jan 90] ..... 34

#### LATIN AMERICA

- Chile's President-Elect Aylwin Profiled  
[*I. Khuzemi; LITERATURNAYA GAZETA* No 11, 14 Mar 90] ..... 36

#### CHINA, EAST ASIA

- Chinese Economic Reforms Analyzed [*Wu Zhenkun; EKONOMICHESKIYE NAUKI* No 2, Feb 90] ..... 40  
Somber View of China After Martial Law [*Ye. Zhurabayev; TRUD*, 31 Mar 90] ..... 44  
South Korean Economy, Prospects for Trade Examined  
[*M. Yefimov; LITERATURNAYA GAZETA* No 12, 21 Mar 90] ..... 46  
Commentary on Vietnamese 'Boat People's' Return to Hanoi  
[*V. Vinogradov; IZVESTIYA*, 18 Mar 90 Morning Edition] ..... 48

**NEAR EAST & SOUTH ASIA**

Palestinian Labor Officials Visit USSR, Give Interview [ <i>Ibratim interview; TRUD, 14 Mar 90</i> ] .....	50
Situation in Israeli-Occupied West Bank Described [ <i>K. Geyvandov and V. Skosyrev; IZVESTIYA, 4 Mar 90</i> ] .....	51
Kuwaitis Discuss Direct Trade With TuSSR [ <i>SOVET TURKMENISTANY, 12 Oct 89</i> ] .....	53

**SUB-SAHARAN AFRICA**

Privatization of African State Enterprises Examined [ <i>A. Melikdzhanyan, AZIYA I AFRIKA SEGODNYA No 2, Feb 90</i> ] .....	55
Economic Problems, 'Repressive' Government Plague Sudan [ <i>D. Velikiy, IZVESTIYA, 1 Mar 90 Morning Edition</i> ] .....	58

### GSSR Foreign Ministry Gains Increased Role

90UI0440A Tbilisi ZARYA VOSTOKA  
in Russian 1 Mar 90 p 3

[GRUZINFORM Report: "Yuriy Gremitskikh: 'For Georgia's Sovereignty'"]

[Text] Perestroyka in the work of the USSR Ministry of Foreign Affairs, the expansion of the foreign-policy activities of the union republics, and the republics' genuine sovereignty—these and other questions were at the center of attention at a press conference in the Georgian SSR Ministry of Foreign Affairs held by Yury Gremitskikh, First Deputy Chief of the USSR Ministry of Foreign Affairs Information Directorate.

It was pointed out that the present situation in the country and the world requires a high degree of diplomatic activity. The USSR's foreign policy faces serious tasks. Efforts to accomplish them coincide with the critical period the USSR is currently going through—the creation of a new federation and the exercise of real, not imaginary, sovereignty by the union republics. In this connection, broad scope is opening up for foreign-policy activity by the union republics, specifically Georgia. The work style and relations between the USSR Ministry of Foreign Affairs and our republic's Ministry of Foreign Affairs are changing. These relations are no longer of a pro forma character and are based on cooperation with the republic ministry and its autonomy. Yury Gremitskikh cited several examples to illustrate the perestroyka of the union ministry's work.

In the near future, a representative of Georgia will go to work in the Consulate General of Turkey in Batumi. Foreign countries will open consulates in the union republics. Similarly, the union republics will operate consulates outside the USSR. At present, Georgia already has its own honorary consuls in the GDR and Great Britain. Whereas in the past the work of a honorary consul of a purely symbolic character, now he has been granted political status. The Georgian Ministry of Foreign Affairs has opened a mission in Moscow. Now many matters having to do with travel abroad by the republic's citizens are being handled directly by officials of the mission and embassies, bypassing the USSR Ministry of Foreign Affairs.

Great importance is being attached to the exchange of staff members between the center and union republics. One idea calls for more actively using specialists from republic ministries in the USSR Ministry of Foreign Affairs, and for sending staff members from the center to the republics. This form of work is mutually beneficial in terms of both gaining experience and exchanging information. The USSR Ministry of Foreign Affairs has opened a department for union republics to coordinate work in them.

However, full autonomy is an important and difficult affair. Under it, the republic ministries' must sharply step up their work. Now much will depend on the republics' initiative and their ability to establish direct contacts with foreign countries and to seek out spheres of mutually advantageous cooperation with foreign partners, in order to fully realize their potential and to strengthen international ties.

**Impact of World Grain Trade on Soviet Imports**

90UF0037A Moscow SELSKAYA ZHIZN in Russian  
31 Mar 90 p 3

[Article by A. Sizov, senior scientific associate of IMEMO [World Economics and International Relations Institute] USSR Academy of Sciences and candidate of economic sciences: "The Grain Market: A Delicate Balance"]

[Text] The oil and grain markets are probably the most significant world markets for us. We actively earn hard currency on one and we no less actively spend it on the other.

Quite recently despite the reduction of world oil prices, our position as a grain importer was partially alleviated by the fact that prices on world agricultural markets dropped even more drastically. From 1980 through 1987, the export price of American wheat dropped from 183 to 110 dollars per ton and corn dropped from 142 to 73 dollars per ton. These are nominal figures. Contract prices which became the final prices of the transactions were still lower. Intense competition, first of all between the U.S. and the EEC for wheat sales markets forced grain exporters to offer their buyers significant discounts. For example, during the 1986-87 season, American wheat was sold to the Soviet Union with an average discount of 42 dollars per ton. That is why foreign wheat often turned out to be cheaper than corn.

In 1988, the situation on the world grain market changed dramatically, first of all, as a result of the crop failure in North America. In the U.S., a total of 206 million tons of grain (one hundred tons less than the annual average during the first half of the 1980's) was harvested and 36 million tons in Canada which is almost 30 percent lower than the level of recent years.

On the other hand, import demand perked up. For the last two years, world grain imports "grew" by almost 17 million tons. Our foreign purchases increased by almost 8.5 million tons, that is, the Soviet contribution to this growth totaled exactly one half.

For these reasons, grain reserves were sharply reduced in the main exporting countries. From 1988 through 1989, they fell from 276 to 134 million tons. Prices climbed up accordingly. They rose by a factor of 1.5 for wheat and by a factor of 1.6 for corn. Prices went up and discounts came down for us and totaled 8.5 dollars per ton of American wheat in May 1989. In other words, contract prices for our wheat purchases rose more quickly than it is reflected in world market prices. And there is nothing we can do about it. Yesterday, competition was sluggish and it was a "buyer's market" which permitted us to advance certain demands to suppliers and to get significant benefits from them. Today competition is high (incidentally we ourselves are also "heating it up" with growing foreign purchases) and we have to pay full price for imports.

At the beginning of 1990, the situation on the world grain market temporarily stabilized. Last year, American farmers harvested about 286 million tons of grain. The increase in contrast to the previous year's poor harvest was nearly 80 million tons. The Canadians also had an increase in production. However, increased prices also cut demand from many importing countries. As a result, world grain prices froze like runners on the starting line.

The comparison is not coincidental. The increase in production cannot compensate for the reduction of reserves. Moreover, by the beginning of the next agricultural year, reserves will be reduced to 117 million tons in the main exporting countries, that is, they will be capable of covering a bit more than half of the anticipated import demand. Wheat reserves are especially low—33 million tons altogether, or 36 percent of its world imports. These are the lowest indicators for the last 15 years.

At the same time, measures are being toughened that are directed at stabilizing grain production in the leading exporting countries. For example, in the event of increased grain harvests to a level of 160 million tons in the EEC, purchase prices will drop three percent. In the U.S., a new agricultural law being prepared proposes strengthening the role of the cultivated area reduction program in order to prevent the creation of excessive grain reserves as it was in the mid-1980's. Furthermore, the agricultural land area encompassed by the land conservation program will increase from all appearances. In short, a slowdown in grain production in these countries is quite likely during the next few years.

All of this describes the extremely fragile balance that is developing on world grain markets and primarily on the world wheat market. Any type of major wheat purchase can undermine it and cause an abrupt price increase.

However, our established foreign purchase experience is primarily oriented toward fulfilling imports resolutions and is weakly tied to changes on world markets. In past years, our at times unexpectedly massive grain purchases frequently became the decisive factor in price increases. But until recently, increased expenditures for imports were canceled out by a relatively small increase in exports of oil and petroleum products whose prices were high.

Today, this path is ordered for us. A further increase of expenditures for grain imports already cannot be compensated for through increased exports of our raw materials and hydrocarbons. The capabilities to increase their export have reached their physical limits. We have been compelled to resort to foreign borrowing to pay for food imports and having reached a dangerous level of indebtedness in this manner which, if exceeded, threatens irreversible and dire consequences for the country's balance of payments.

Furthermore, we are first in the world in wheat and barley production and those grains make up almost two thirds of our grain imports. Here it hardly makes sense to

resume the conversation about how this situation developed. Let us just say that the primary factor that determines the volume of imports is our internal state purchases. It has been calculated that during the 1980's an increase or reduction of state grain purchases by one million tons causes a reduction or increase of imports by 1.15 million tons, that is, a change in internal purchases is accompanied by a somewhat larger sweep of changes in imports.

The State has taken the first timid step toward stimulating increased sales of quality grain. We have in mind partial payment for grain with hard currency. In 1989, almost none of it was bought—223,000 tons. Thirty six million tons were imported. These are incomparable figures. And furthermore, many farms that experienced good harvests have not begun selling their grain for hard currency. What is the matter? Do Soviet farms really not need hard currency?

One of the causes is the low level of purchase prices (40-60 non-convertible rubles per ton which is approximately two times less than current prices on the world market). Nevertheless, Eksporthleb [Grain Export], that should be engaged in domestic hard currency purchases, does not consider these prices to be low. And it refers to foreign trade prices for wheat in 1987-88 as its argument. It is true that we are not talking about two "insignificant" circumstances. First, world prices during that period were at a record low level as a result of overproduction of grain. Second, the fact is that the Soviet Union received major discounts while importing grain from the U.S. and the European Community. Actually, departments have set a lowest possible price that has nothing in common with its level or its capability to stimulate import substitution. But that is because there is a needed "check" on executing deliveries.

Besides, despite official assurances that no limitations whatsoever will be established on utilization of the hard currency assets received by farms, such limitations exist: Agricultural enterprises can only spend their earnings through MVES [Ministry of Foreign Economic Relations] foreign trade organizations. The so-called "service" essentially means that a portion of the earnings must go toward maintenance of the foreign trade departments and for their intermediary services. What the quality of the services is, how effective they are, or if they are needed at all for each specific farm—these are all rhetorical questions. They do not need to answer them since there is no choice for an agricultural enterprise. And it turns out that this sort of progressive measure directed at lowering the country's dependence on food imports turns out in practice to be a measure that operates to preserve the monopolistic position of state organs.

We certainly should not reinvent the wheel. Many countries have a sufficiently rich experience at solving such problems. For example, guaranteed minimum prices are widely used that are set at a level that is 80-95 percent of

the average world price and is calculated based on data from the last several years. There are also other variations. Only one has been used in our country—the administrative staff variation that not only does not permit reduction of our dependence on imports but also does not provide any hard currency savings on domestic purchases due to their paltry volume.

It would be logical to also expand import replacement stimulation measures to other imported agricultural products. Really, we purchase raw sugar, meat, and many other products that we ourselves are capable of producing. These measures should be extended to any farms, right up to independent farmers of the "Arkhangelsk Muzhik" type. Incidentally, they can be more interested in acquiring production commodities (for example, breeder cattle) or interest-free credits than in acquiring hard currency.

It is crystal clear that production allocations are not appropriate. Only mutually beneficial purchase-sales relations between the state and the producer, it is true, while considering the realities of today and with a high component of barter relations. At that time it will become clear that the peasant does not need price supports but prices, and not deliveries of material and technical resources, but the production resources market.

The country as a whole needs not import purchases but a foreign food policy that is an integral part of the agricultural strategy as a whole and our agricultural worker must be at the center of attention. We can only attain this on the paths of radical perestroika of food imports. Otherwise, how can we not undermine the delicate balance on the world grain market and perhaps our country's even more delicate foreign trade balance along with it.

#### **State Foreign Economic Commission Deputy Chairman On Soviet-EC Trade**

*90UI0436A Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 10, Mar 90 p 10*

[Article by I. Ivanov, Deputy Chairman of the USSR Council of Ministers State Foreign Economic Commission: "PV Business Club: Another Window To Europe"]

[Text] Trade relations between the Soviet Union and the European Communities have been fully shifted to universally recognized norms of international law. This became possible after the signing of the agreement on trade and commercial and economic cooperation between the USSR and the EC.

This agreement is without exaggeration of major importance for both the Soviet Union and the communities. It marks a significant contribution to all-European cooperation and to the implementation of the Vienna accords. Indeed, the just-signed document regulates our economic relations with the 12 EC member countries at once and, in terms of its content, goes far beyond the

limits of a typical trade agreement. Under its provisions, Soviet exports are put on an equal competitive footing in the "single European market" that is being formed, and Western firms receive well-ordered terms of access to our market.

The sides granted most-favored nation status to each other. This means that when Soviet goods are imported into the EC countries, they will be subject to a preferential customs duty equal to 4 percent, on average. And when EC goods are imported into the USSR, they will be subject to our minimum customs duty, which will take effect in 1991. The parties to the agreement have the right to grant additional preferential tariffs to contiguous countries within the framework of border trade, as well as to developing states. Such preferential tariffs may also be enjoyed by countries that form, together with the USSR, a free trade zone or customs union or are making preparations for their creation. This is a rather clear call to the CMEA members to codify on a contractual basis the duty-free trade with the USSR that exists on a de facto basis, if they want to maintain it under the new economic arrangements.

An agreement was reached to the effect that the communities will remove, by 1995, quantitative restrictions that they have specially applied against Soviet exports (up to half of the 1,200 such restrictions will be lifted within one year of the agreement's taking effect, which is to say in 1990 and 1991). In this way, after many years of incrustations of unjustified restrictions on Soviet exports, the wave of discrimination has begun to roll back, in order to disappear altogether in the long run. For its part, the Soviet Union pledged not to discriminate against EC firms in issuing quotas and licenses, as well as in distributing foreign currency for imports.

For the first time, regulatory controls are placed on so-called "defensive measures" against the destabilization of each other's markets that can arise in instances of sharp import growth or unscrupulous competition. To avoid such distortions, trade between them will be transacted at prices that are oriented toward world prices, and the use of antidumping or other restrictive procedures must be preceded by mutual consultations. To this same end, the Soviet Union will not encourage barter deals and will take measures to centralize the licensing of foreign economic operations in the hands of a single national authority. As a result, a barrier has now been placed in the way of both unscrupulous business practices on the part of Western firms and our own

homegrown trade "piracy," including in the form of selling at understated prices.

It should be borne in mind that the agreement is by no means limited to the trade sphere alone. It also deals with cooperation in such important areas as statistics, standardization, mining, processing industries, agriculture, and many others.

Measures to stimulate reciprocal trade and cooperation are envisioned. For example, the agreement includes customs and other incentives for industrial cooperation. It also provides for exchanging information, promoting business services, and facilitating the operation of commercial missions.

The Soviet Union and the EC will notify each other of changes in their legislation and norms regulating foreign economic ties. The USSR and individual community member countries reserve the right to develop bilateral cooperation in areas that are not affected by the EC's centralized authority.

Such are the basic provisions of the Brussels treaty. As you can see, it encompasses the full spectrum of Soviet industry's interests in the EC zone and the full range of the communities' supranational powers. The EC representatives did not accept this broad approach immediately; in the past, the communities concluded only trade agreements, for the most part. However, the new trends in all-European cooperation and a desire to assimilate the Soviet market through various forms of international production prevailed here.

It is clear that the treaty's favorable terms for trade relations and cooperation reflect the EC's obvious interest in the enormous single Soviet market. As for us, the Brussels document opens up for all Soviet participants in foreign economic ties and for all regions and republics fundamentally new possibilities for operating on the EC's markets.

The Brussels meetings and their positive results will undoubtedly have or already have had important international resonance: They make it easier for the USSR to move closer to GATT. Partly under their influence, the U.S. position has also shifted in favor of concluding a new bilateral trade agreement with the Soviet Union.

In all likelihood, the significance of the agreement between the USSR and the EC will be fully revealed in the process of its implementation. But it is already indisputable that the agreement constitutes an important landmark in the history of Soviet economic diplomacy.

### **Ethnicity Overshadows Class Interests in Africa, Asia**

90UI0427A *Moscow AZIYA I AFRIKA SEGODNYA*  
in *Russian No 2, Feb 90* [Signed to press  
29 Jan 90] pp 2-3

[Article by A. Prazauskas under the rubric "Interethnic Relations: Path of Accord or Animosity?": "Ethnic Groups and Politics"]

[Text] Ethnic groups [etnosy] play a more notable part than the other formations, including the social class formations, in the politics of Asian and African countries. Is it, indeed, possible, for example, that farmers' demands for the wholesale price of rice or coconut milk to be raised will exert a greater influence on the political process than a separatist movement that threatens the unified state's existence and complicates its international relations? This would seem perfectly obvious. However, a supposedly methodological, but in reality, an ideological, dogma, in accordance with which the root of all public movements and social conflicts can be laid bare by using the universal class key, has taken root in domestic social science. According to this unidimensional logic, demands that a certain people's language be officially recognized and their self-government granted, and especially their drive for separation and the formation of a sovereign state, reflect the selfish interests of certain classes or, at least, social strata. Is this so in fact?

Various strata and groups, classes, and ethnic groups and/or their segments (local, religious, caste, etc.) may function as political forces or political entities in a composite, heterogeneous society. Such stable characteristics as language and culture, consciousness of its identity, attachment to a certain territory, and relatively precise group boundaries unify an ethnic group, which enables each of its members to readily and rapidly comprehend the community of group interests, systematizing and expressing these in a form of local nationalism. The intent of an ethnic group's participation in politics is to gain access to power at the local level (within ethnic territorial limits) and ensure optimum conditions for its existence in state proportions.

The probability and forms of these potential ethnic-group capacities' realization depend on many factors and circumstances, the most important among which is the group solidarity level. Most ethnic communities (excluding the present-day "tribes") have a complex internal structure. In the event of poor consolidation, or aggravation of conflicts, within an ethnic group, its individual segments will try autonomously to establish their own relations with the other-ethnic and "alien" groups, as well as with the state. If the groups holding the key positions in the country are so inclined, the ethnic group's political mobilization on the local nationalism platform becomes extremely problematic. The aforementioned "class key" may be needed in isolated cases when analyzing such situations.

The next important factor is the ethnic group's integration level within the multiethnic community that includes the country's entire population. In examining the integration in the various spheres, particularly the economic and political, special attention is often devoted to the formal indices: extents of economic ties, division of labor, state machinery, party and political structure, participation in elections, etc. However, it is not the extent of the ties and the presence of the common institutions that are important for overcoming the sociopolitical heterogeneity and forming a civil society, but the role and degree of an autonomous population's participation in these. The degree of integration increases in proportion to increase in the autonomous population's share in the system of institutions and ties that provide for integration, and, conversely, if the key positions in this system are held by representatives of other-ethnic groups, the integration's intensification creates preconditions for the appearance of interethnic conflicts, and thereby gives rise to a tendency toward sociopolitical disintegration. The campaigns to defend "the sons of the soil" and mass movements against "foreigners" and "migrants" that periodically occur in various parts of the world convincingly show how deficient mechanical integration can be. Economic and sociopolitical integration, depending on its ethnic "filling" can lead to depoliticizing of the ethnic factor, as well as to the forming of ethnic groups as political entities.

The nature of the regime also has great significance. The essence of democracy lies in the fact that any group's lawful political mobilization, expression of interests, and right to defend these are tolerated. In a democratic society, the ethnic group holds a certain position in the hierarchy of political forces and, depending on the degree of its internal consolidation and super-ethnic integration, appears as such a force in those situations wherein issues concerning the whole ethnic community's interests are being resolved.

Under an authoritarian regime's conditions, all groups, except the ruling ones, are turned into objects of the policy being implemented by the state. Any display of ethnic minorities' group interests is blocked by various measures: political (a ban on the formation of local political parties and organizations, the absence of real self-government), economic (the expropriation of individual ethnic-group segments, primarily depriving them of rights to land and territory), repressive (executions, arrests), and sociocultural (including the banning of periodicals and schools in the minorities' languages). As a rule, the suppression policy is combined with sociopolitical methods of co-opting individual minority representatives loyal to the regime into the makeup of the managing and ruling groups. Therefore, under an authoritarian regime's conditions, the ethnic factor does not play an externally noticeable part in politics—so long as the hidden growth of discontent does not lead to dramatic outbursts of separatism, extremism, mass autonomy and irredentist movements (i.e., aimed at politico-administrative unification of all ethnic-group territory), and sharp interethnic clashes.



It is particularly difficult for the researcher or outside observer to evaluate the subjective factors' role in an ethnic group's political mobilization process. The historical memory, the ethnic stereotypes and self-stereotypes, the political culture's nature and special features, the life-style, the sociocultural values, and many other factors determine an ethnic group's conception of its group interests, as well as its evaluation of the alternatives to these, its suspicious attitude toward, or complete rejection of, various "modern" conveniences offered by the state, and its aspiration to live as it sees fit, albeit worse. When the dominant groups and the ethnic minority in a state adhere to different systems of values, they appraise the minority's status, respectively, as just and, to the contrary, unjust. Such communication gaps between the center and its other-ethnic periphery further the growth of local nationalism and the unification of the ethnic community on a local-nationalism platform.

Finally, the politicizing of an ethnic group is somehow associated with external factors (relative to the ethnic community) in every case. These are either sociopolitical upheavals or abrupt changes in the whole country, or the demonstrative effect of events in neighboring, and often very distant, states. In the mass-communication era, especially because of television's development, state borders have ceased to be an obstacle to the nationalism virus.<sup>1</sup> Ethnic-group interests, or national interests if one speaks of developed nations, encompass all spheres of the society's life: politics, culture, economics, and law. In view of the complex nature of the interests, ethnic national movements are distinguished by a broad social spectrum of participants, and include all basic social groups and strata of the society. Moreover, those groups, the interests of which are the most closely intertwined with the whole ethnic community's interests and associated with its culture, territory, and use of resources, usually play the leading role. In most cases, those segments, the high social status of which is indissolubly linked with their participation in super-ethnic integrated institutions, or with the dominant ethnic group's interests, separate themselves from ethnic national movements. The greater the importance of these segments and groups, the less the probability of a

mass ethnic national movement's arising and the ethnic group's being organized as a political force. Thus, in societies that have achieved a relatively high degree of integration, ethnic social movements, which are distinguished by a narrower social makeup and pursue private goals, are usually formed.

In conclusion, one comment on the nature of ethnic national movements: Under an authoritarian regime's conditions, they arise as radical and, frequently, separatist movements in most cases. The rejection of regime legitimacy and drive toward separation inherent in them are caused by the fact that the possibility of satisfying the ethnic group's group needs within the authoritarian political system's framework is practically ruled out. In democratic societies, as well as during periods of transition from authoritarianism to democracy, moderate and liberal groups, which have set the solution of pressing problems within the existing system's framework as their goal, are predominant. The impossibility of accomplishing genuine results inevitably furthers a strengthening of the radical trend, a discrediting of the moderate leadership, and a transforming of the movement from a liberal to a radical one. The conflict acquires its own dynamics in such a case, and the longer it is dragged out, the more difficult it is to settle. Such conflicts serve as a powerful stimulus to the development of ethnic self-consciousness and long-term polarization of interests for those participating in the clash of the ethnic groups.

The tendencies toward integration and particularism, inherent in all multiethnic societies, are manifested in the political sphere in proportion to the population's arousal to political activity, and constitute one of the important axes, and, in a number of countries, the main axis, of political activity. To expect reduction of the ethnic factor's role in politics in the foreseeable future would be naive at best: Where there are differences, there are also interests; and where there are interests, there are also politics.

#### Footnotes

1. Real or expected support from abroad, and on the part of other ethnic minorities, also has great significance.

### Trends in International Arms Trade Noted

90UM0169A Moscow KRASNAYA ZVEZDA in Russian  
15 Dec 89 First Edition p 3

[Article by Ye. Mishin: "The Arms Market: What Are Its Trends?"]

[Text] "We often hear that arms trade is one of the factors destabilizing the international situation. I would like to know who controls the 'arms market'."

Major Yu. Sosunov, Central Group of Forces

A certain decline in the rate of growth of world arms exports is now being observed. According to data of the Stockholm International Institute for World Problems Research (SIPRI), in 1988 the volume of world sales and deliveries of the principal systems of conventional arms was \$34 billion, which was \$5.5 billion less than the record figure of 1987.

However, these statistics are incomplete, inasmuch as they are not based on anywhere near the full number of deals. Direct deliveries of weapons by private firms in avoidance of state organs, black market deals, which reach major proportions, and exports of "double-purpose" goods which are registered as civilian goods but which can be used for military purposes with minimum modification remain unaccounted for. Thus the real volume of international arms trade may be a minimum of a time and a half greater than the official data.

The developed countries remain the principal exporters, supplying over 90 percent of the arms on the world market. As before, according to SIPRI's data the USA remains in first place with 84 percent of world arms exports. The Soviet Union is in second place. China comes up third, with 90 percent of its deliveries being to Arabian countries and Pakistan. France and Great Britain occupy fourth and fifth places respectively.

Practically everything except for ballistic missiles and large aircraft carriers is for sale today. Weapon systems created on the basis of the most recent technology—things which had previously been kept under lock and key by supplying countries—enjoy special demand.

Three-fourths of the arms imports are by developing countries, chiefly Near East, African and South Asian. Over 65 percent of total exported weapons reach their final destination in six countries—Iraq (which until recently spent around \$6 billion annually on arms purchases), India, Egypt, Saudi Arabia, Israel and Syria. Of course, a tendency for the proportion of Third World countries importing weapons to decrease has recently appeared in connection with the fact that their solvency has decreased due to the long-term crisis and the drop in prices on oil and other raw materials.

### 'Secrecy' In Foreign Trade Mechanism Decried

90UI0438A Riga SOVETSKAYA MOLODEZH  
in Russian 1 Feb 90 pp 1, 3

[Tape transcribed by Alla Obolevich: "Artem Tarasov, Vice-President Of The USSR League Of United Cooperatives And Chairman Of The Istok Foreign Trade Firm, Tells About The Secrets Of The USSR's Foreign Trade"]

[Text] Moscow and Riga—There are some organizations whose discussion in the Soviet press is forbidden. Some—the KGB, for example—are now starting to be discussed a little, but foreign trade, which is to say the Ministry of Foreign Economic Relations, remains off limits. Extremely little is written about the ministry's work, and if something is written, it originates only from the ministry itself.

Our Tekhnika cooperative once got involved in foreign trade and began understanding some things about it, and the ministry didn't like this at all. Minister Katushev assembled the chiefs of his foreign trade organizations and told them: "If I hear anyone say the words 'Tekhnika cooperative,' that person will be fired immediately."

I began wondering: Why is this monopoly in particular (after all, we have a lot of monopolies!) off limits to any discussion? Because it is the very institution that creates the state treasury. Like the average citizen, the government understands that the Ministry of Finance has paper, not money. Real money comes from foreign trade. But unlike the average citizen, only the party and Soviet officials—Central Committee and Council of Ministers officials and high-ranking ministry executives—have access to the treasury. Only part of these funds is used to buy equipment, which often goes unused (the press has reported that we have amassed somewhere between 5.6 billion and 7 billion rubles' worth of such imported equipment) and consumer goods; the rest is used to finance trips abroad by our leaders, who enjoy the right to exchange an unlimited quantity of rubles for dollars.

I was in China recently. My traveling companion showed me the 18 guest houses in which Gorbachev's entourage stayed for seven days. It should be said that that entourage itself flew there on two Il-86 aircraft, and that an entire Il-76 cargo plane brought in the needed equipment, communications systems, and so on. Furthermore, the entire entourage received travel expense money and a per diem allowance (in foreign currency, naturally), to say nothing of the people whom it accompanied.

In my view, this stems from the aura of secrecy surrounding foreign trade. This feeding trough for the powers that be can not only unimpededly preserve but also extend its monopoly. Any directive that foreign trade needs in order to strengthen its monopoly is issued at once. For example, the famous USSR Council of Ministers Resolution No. 1405 appeared in December 1988. It supposedly granted all enterprises, cooperatives,

and juridical persons the right to freely enter the foreign market. But as soon as people started trading, a new resolution, No. 203, appeared in March 1989. It did not directly forbid them from trading with the world, but from that point on they were permitted to sell only **their own** products; any kind of intermediary operations was prohibited. Similarly, they were permitted to import only goods for their own internal needs, not for sale. In this way, foreign trade effectively protected itself from encroachments on the part of other, alternative organizations. That same resolution banned all barter deals.

A resolution adopted in May authorized barter deals—but for whom? Only for foreign trade associations and associations of state enterprises. Then came a resolution on new customs duties. What did it say? New customs duties were introduced for cooperatives, in some instances exceeding the cost of a product itself (depending on the product type) by 2,000 percent. Two thousand percent is the coefficient for coffee; the figure for lemons is 1300 percent. A duty of at least 250 rubles must be paid for any suit. This strengthens the state foreign trade monopoly even more, because at these rates, no one is going to import anything.

Cooperatives, joint enterprises, and even state enterprises were forbidden to accept any foreign currency from foreigners—even for services for which the foreigners agreed to pay.

The lists of goods and materials whose export from the USSR is prohibited are being expanded constantly.

And then came the innovation of December 1989: One can export above-plan export from the Soviet Union, but only within set quotas. And the quota for timber exports, for example, can equal the export plan of Eksportles. The same will apply to oil and petroleum products.

But such a stifling monopoly in the Soviet state has to be explained to the public. And this is being done in the following way: All (nonmonopoly) enterprises that have gone abroad with their products are being discredited. False and distorted information is being widely published in the press and reported to the government. This provides the justification for strengthening the foreign trade monopoly.

Just try to buy or sell something on the foreign market! It will immediately be said that you sold for far lower prices and bought for far higher prices than might have been possible. In short, you are a fool and are squandering the national wealth. And if they do indeed find that somebody made a mistake, that enterprise will be accused of robbing the country outright.

And now let us examine how foreign trade itself operates. According to our calculations, the state monopoly on foreign trade costs our people up to 55 percent to 60 percent of all foreign currency that the country might earn. In other words, the maximum efficiency of foreign trade is 45 percent. This is first of all because it is utterly disadvantageous for a state monopoly foreign trade

organization to trade efficiently. Why? Because all these “merchants” are on salary. Their salary is in no way pegged to a deal’s profitability. In order to earn a bonus, all they need do is fulfill the plan. So what does the personal well-being of a foreign trade official depend on? Only on how many times he goes abroad. And he goes to see those partners with whom he trades. And now imagine that he has been dealing with the same partner for 20 years. These partners spare no expense on their receptions for our trade officials and give them gifts. And so the latter have no desire at all to change partners. And there is a justification for this behavior: “So-and-so is our stable partner, our great friend.” And our trader, naturally, has an interest in delaying the conclusion of a contract for as long as possible, in traveling to other countries to study their terms, and in coming to the conclusion, ultimately, that the long-time partner offers the best deal. In this way, the process of concluding a contract is stretched out in our country to between six months and two years.

How does our official explain that he is selling goods to some incidental firm at dumping prices? The answer is that these prices are in no way acknowledged to be dumping prices. On receiving a plan to sell, say, coal, the Ministry of Foreign Economic Relations sends proposals for the sale of that coal to various firms. Replies are received with possible purchase prices. Those that exceed the price of the companion firm are simply tossed into the wastebasket. But the proposals with lower prices are shown to the boss, creating the illusion the “stable partner” looks like a solid deal. Moreover, our companions set up “dummy” firms in the West that produce a single product—replies to our foreign trade organizations that offer prices lower than those offered by the “partner” itself.

The first result of this situation is this: SOVIET GOODS AND SOVIET RAW MATERIALS ARE SOLD ON THE WESTERN MARKET ONLY BY WESTERN MIDDLEMEN. It would be fine if there were just one middleman, but the fact is that our raw materials are sold back and forth up to 10 times before they leave the Soviet Union. For example, one of our “partners,” a firm that has attached itself to Agrokhimeksport, buys urea from us at \$90 per ton. Urea is widely used in China, which considers it a good mineral fertilizer. But do we sell any urea to China directly? Three firms (one of them the American [Brazers] firm and another a Japanese company) buy up the urea from us. So say that [Brazers], after buying the urea from us, sells it to the Australians for \$100 a ton, who sell it to the Canadians for \$110 a ton, and so on and so forth until the Chinese finally buy the urea for somewhere in the neighborhood of \$150 a ton.

Turkey is prepared to buy fuel from us at the highest prices, but it buys it from Western middleman because it can in no way penetrate our market. We sell coal at \$33 a ton, which is finally sold at \$60 a ton, and mazut at between \$80 and \$90 a ton, which ultimately sells at

\$160 to \$180 a ton. Dozens of Western foreign trade middlemen are getting rich off our fuel.

But this does not exhaust the losses our foreign trade incurs. It also pays huge fines. But the officials pay them not out of their own pocket but out of the state treasury, something that doesn't bother them in the least. Therefore, goods and raw materials are not shipped out on schedule. Therefore, a contract may specify goods of a certain quality while something completely different is shipped. Tens of millions of dollars a year go solely to pay fines.

Our trade is doing a poorer and poorer job of fulfilling its export plan. Why? Say metal produced by some plant in Sverdlovsk is sold abroad. A foreign trade official is hardly going to go to Sverdlovsk to see that it is packed and shipped out. He'll sooner go abroad! At best, he'll make a telephone call to Sverdlovsk.

**ALL DEVELOPED COUNTRIES HAVE THEIR OWN FOREIGN TRADE INTERMEDIARIES ABROAD.** Our country is afraid that, were we to have such intermediaries, it would deplete the treasury. In fact, the reverse is true!

First, much of what we could sell abroad is either banned for export or our monopoly foreign trade is unable to export it. For example, aluminum scrap is not very easy to collect, pack, prepare for export, label, and analyze. And thousands of tons of this scrap are lying around in our country, but its export is prohibited, as is the export of other nonferrous metal scrap. This situation can be changed only by an independent intermediary foreign trade organization, whose survival depends on how it trades on the foreign market.

And so a stream of new exports will start moving. (Let us recall that our country still has \$454 billion worth of unsalable products.) By levying a big tax, naturally, on the new organizations, the state will receive a stream of foreign currency. But the state loses nothing even if it were to give planned exports to independent middlemen. Instead of Western middlemen who resell our timber, oil, and petroleum up to 10 times, this would be done by Soviet organizations, and we would not lose tens of millions of rubles. The money coming into the USSR Bank for Foreign Economic Activity could be put in circulation at any time or loaned to other banks throughout the world, thereby earning interest.

Independent foreign trade intermediaries **WILL START SAVING MONEY, NOT WASTING IT.** They will try to avoid fines, and will monitor quality, quantity, and compliance with delivery schedules. They will have a vital interest in doing so.

How is the foreign trade monopoly now defending itself against this proposal, what arguments is it using? It says that the new traders will take up all the ports and all the transportation, and that there won't be anywhere or anyone to ship our planned, state exports. But certain reasonable restrictions could be introduced. And faced

with such restrictions, the independent foreign trade firms will start expanding the capacity of existing ports and even building new ports! Automotive transport will be developed, as will air transport (already we have no one to buy our Ruslany, and they are even going unused in our country).

**IN MY VIEW, THE INTRODUCTION OF AN ALTERNATIVE FOREIGN TRADE SYSTEM WILL DOUBLE OUR COUNTRY'S FOREIGN CURRENCY CAPITAL.**

And what will foreign economic intermediary organizations import first and foremost? Equipment that will create new export opportunities. This will be equipment for packaging and processing raw materials and for using these materials to manufacture goods that meet world standards. In the long term, it might become profitable for them to buy our own state's planned exports for foreign currency, in order to process our own raw materials in the USSR and to export finished goods at far higher prices than the raw materials bring.

Why is our government afraid of all this? Its position seems to be one of "leaving well enough alone." As it is, there's reason to go abroad—and fortunately, we are able to buy some things—and that's good enough. What if the situation should suddenly deteriorate?

**THROUGHOUT THE WORLD, ECONOMIES ARE HELD TOGETHER BY FREE ENTERPRISE. AND ENTERPRISE ENTAILS RISK.**

A resolution is now being drafted that puts all natural resources under state control. This will mean that if even some miners do manage to sell part of their coal for export, they will receive in foreign currency only a payment for their intermediary services; the proceeds from the coal itself will go into the state treasury. If someone exports furniture, he will have to pay the state the value of the lumber; what he will export is essentially the labor involved in processing that lumber.

What right does the state have to appropriate public property—our natural resources? These resources are recovered by specific individuals; yet they are unable to dispose of the resources they recover—to the benefit of all, the state included.

**TODAY OUR FOREIGN TRADE, WHICH OPERATES ACCORDING TO THE PRINCIPLE, "SELL AT THE LOWEST POSSIBLE PRICE, AND BUY AT THE HIGHEST POSSIBLE PRICE," IS THE LAUGHING-STOCK OF THE ENTIRE CIVILIZED WORLD.**

How would independent foreign trade organizations use their foreign currency? Naturally, to buy goods and materials. But at much lower prices than our foreign trade officials do so today. For they don't care what price they pay either. Consequently, they buy goods from the same "stable" partners to whom they sell raw materials. For example, an audiocassette costs 17 cents to \$1.05 in the West. The USSR buys cassettes for 90 cents apiece.

Our Istok independent foreign trade organization managed to buy a shipment of cassettes at 17 cents apiece.

The Ministry for Foreign Economic Relations doesn't want to bargain—it has no reason to. But the Chinese, incidentally, bargain to the third figure after the decimal. When large shipments of goods are involved, they save a good deal of money. The lower the price, the more goods we can buy. Each dollar is thus spent more effectively. The independent new foreign trade organizations will have an interest in establishing direct contacts and in making profitable foreign currency investments abroad. (Today this is even welcomed by our state.)

Let us return to China. There the market is currently glutted with many goods that are in short supply in our country. We visited a sewing machine factory. Production had been cut back because the Chinese are unable to compete with the Japanese on the world market. The biggest problem now is to provide work for the hundreds of workers and to sell the goods they produce somewhere. And so they turned to us: Export to us such and such metals and plastics—worth exactly as many machines you need. Furthermore. Timber is very expensive there. A cubic meter of timber costs the equivalent of 1,200 rubles (in our country it costs 33 rubles). The average worker's wages is almost 100 rubles a month. And so we, by exporting one cubic meter of timber, can pay the monthly wages of 12 workers who would make sewing machines for us. In this way, in exchange for the raw materials and the meager wages, we could easily saturate the Soviet market with sewing machines. And large outlays would be required only to ship the raw materials and finished output. The Chinese would be happy—they would provide their people with work. But no one in our country is allowed to do this (except the monopolistic Ministry for Foreign Economic Relations, of course)—for the export of any metals and plastics is forbidden. And yet the ministry is in no hurry to undertake this project.

The same could be done with videocassette recorders, televisions, microwave ovens, and small farm tractors. But our state would rather wait decades until it can build enormous plants to produce these goods at home.

When the sugar crisis broke out in our country, an American firm (I don't want to give its name) announced in the exchange that it had reduced its sugar price by 10 cents per kilogram. An emigre found out about this and reported it to the USSR trade mission. Our country had an opportunity to buy sugar at a price approximately 20 times cheaper than what we pay Cuba. The reply he got consisted of two parts: "Our structure of imports from the United States does not include sugar, and second, we cannot redirect millions of dollars to buy the sugar so quickly." And yet this would have solved our sugar problems immediately and for a long time. Independent trade organizations would have reacted instantaneously, since this would have been very profitable.

Let's look at the USSR Bank for Foreign Economic Activity—it too is a monopoly, but in the financial sphere of foreign trade. If we managed to open an alternative to it, an independent bank for foreign economic activity, we could buy equipment on credit—i.e., pledge to a Western partner that we will carry a loan of so many million dollars for a year (or five years). And when the equipment is imported to the Soviet Union and starts producing output, we will repay the cost of the equipment from the foreign currency earned from the sale of that output. In this way, the five years would pass and what would we have? We would still have our money plus interest, and operating equipment that would constantly be earning foreign currency and producing goods.

Independent foreign trade organizations could also exploit price differences in various countries. For example, in China, a Sharpe two-cassette tape recorder costs the equivalent of 400 rubles at most. But a felt hat, which we have in abundance, costs 58 rubles. In exchange for seven felt hats, then, we could import a tape recorder that in our country costs 1,500 to 2,000 rubles. Another example. An average-quality piano costs 5,000 rubles, while a small farm tractor costs 2,500 rubles. An Era razor with rotating blade [kruglaya setochka] costs 27 rubles in our country, but 270 rubles in China. In other words, for one and a half razors that are stale goods in our country we could import the Sharpe. For three of the Bolshevik firm's threadbare wool suits (which in our country are sold for scrap at 32 kopeks per 20 kilograms), the British would give us a new suit. But, unfortunately, trade intermediaries in our country are prohibited from concluding barter deals.

Moreover, we could also bargain. In China, we did this in the interests of sports—and reduced the price of thermoses that the Soviet Vostokintorg organization buys for 12 rubles to two rubles each. At the same time, the price for our accordions has jumped from 400 to 450 rubles to 1,700. But we know that we are not allowed to engage in such barter deals. Could anyone really suffer from this?

Let's look at another foreign trade organization (a monopoly, of course)—the Litsenziyatorg, which is charged with marketing our inventions abroad. This trade organization operates just like all Soviet foreign trade. Litsenziyatorg does not market our brains' achievements too vigorously, because it has neither the ability, desire or competence to understand an invention nor the money to develop it into a working model. An independent foreign trade organization with the right to sell know-how is another thing. Our Istok firm, overcoming formidable obstacles, is trying to assume some of Litsenziyatorg's functions. But we work differently. We conclude a contract with the inventor under which he will pay us a part of the profit (profit that is mythical as yet, for we are taking a very big risk!). At the same time, we give him all the money and materials he needs to put his idea into product form. For example, we were recently approached by a photographer who had invented a unique device for attaching a camera to a

tripod. We found a plant that would make an experimental batch of his attachments and we paid the costs. Then we bought the inventor an international patent for \$70,000. It may be that the invention will still have to be protected with three or four associated patents. We are prepared to spend \$200,000 on this, with a 50

risk. Of course, we hope to not only recoup our expenses but also make a profit; but before this we will find out how unique [prioritetna] the attachment is vis-a-vis similar attachments.

The Soviet Union could make billions of dollars in profit by selling the inventions that lie around by the thousands at the drawing board stage in our country, but we have no one to do this. Only independent trade organizations, as you see, will undertake such projects.

**THE FOREIGN TRADE MONOPOLY IN THE USSR IS PREDATORY WITH RESPECT TO THE STATE AND THE PEOPLE.** But, needless to say, it is not to that monopoly's advantage to have a flexible, alternative foreign trade system constantly demonstrate its advantages. For the question could arise of eliminating state foreign trade. And it will try to prevent this. To be honest, it seems to me that USSR Council of Ministers' Resolution No. 1405, which I discussed, was nothing less than an attempt to sabotage the enterprises that entered the foreign market en masse and, without foreign trade intermediaries of their own, simply "slipped up." All this was foreseen by the resolution's authors—in order to strengthen the state foreign trade monopoly. I predict that the USSR Council of Ministers will prohibit all the country's enterprises from entering the foreign market in any way by mid-1990.

### **Lithuania Mulls Economic Dependency, Seeks Alternatives**

904A0264A *Vilnius SOVETSKAYA LITVA in Russian*  
6 Mar 90 pp 1,3

[Article by a Committee of the Supreme Soviet of the Lithuanian SSR for Preparing a Plan for Restoring the Independence of Lithuania: "Problems of Creating an Economy for Independent Lithuania"]

[Text] Today the chief aspiration and goal of the people is that of restoring the independence of the Lithuanian state. The Supreme Soviet of the Lithuanian SSR, in a decree dated 7 February of this year, proclaimed that the law on the adoption of Lithuania into the USSR is illegal, that it is not binding upon Lithuania and that negotiations must be started with the Soviet Union in connection with the revival of Lithuania's independence.

In order to establish new relationships, importance is attached to having a basically new concept regarding the functioning of Lithuania's economy, the structure and administration of the economy must be reorganized and realistic measures must be outlined for strengthening the

economic independence of the republic and its mutually advantageous collaboration with other states.

Today's Lithuania does not have the economic structure characteristic of a sovereign and independent state. Up until now, our economy has been developing and functioning as a component element of the national economic complex of the USSR, with all of the attendant consequences. First of all, we have an exclusive dependence upon the raw material base of the USSR. Lithuanian industry is unilaterally oriented towards the union market and it does not respond adequately to the requirements of the republic's economy and population or its natural conditions. All of the republic's requirements for natural gas, petroleum, all types of metal, cotton, tractors and motor vehicles are being satisfied by means of imports. This list could go on and on. During 1988 alone, roughly 7.5 billion rubles' worth of raw materials, other materials and various types of products were imported into the republic. This amounted to approximately 47 percent of all of the material resources consumed. Secondly, the volume of products exported was comparatively high: roughly one fourth of the social product created.

The most complicated problem—fuel and energy. Local resources (firewood and peat) account for only slightly less than 3 percent of the overall amount of fuel consumed, with 97 percent of the fuel being imported. In 1989, a total of 16.2 million tons of conventional fuel were consumed in the republic, with natural and liquefied gas accounting for 37 percent of the overall fuel expenditures, petroleum products—47 percent, and bituminous coal—9 percent.

According to today's prices, the cheapest fuel is gas. In 1989, 5 billion cubic meters of natural gas were used, and this year the plans call for 7 billion cubic meters to be consumed. In addition, as is well known, the cost of transporting gas over a gas pipeline is several times cheaper.

Natural gas is the principal raw material in the production of nitrogen fertilizer (25 percent of the overall quantity of such gas is consumed here). The remaining portion is used as fuel for boilers, TETs [heat and electric power plants] and electric power stations and also for the domestic needs of the population (mainly for food preparation). At the present time, more than 80 percent of the apartments in the republic have gas available for use.

Last year, with the main gas pipeline from Minsk to Vilnius being placed in operation, technical opportunities were created for increasing by more than twofold the republic's consumption of natural gas. The initial steps are already being taken this year—the supplying of gas for the Lithuanian GRES [state regional power plant] has already commenced. Thus the proportion of gas in the fuel balance will increase to 48 percent this year. In 1995, it may increase to 60 percent. In addition, gas is replacing mazut for the most part. This is making it

possible to decrease atmospheric contamination substantially. However, complete dependence upon the gas extraction sources of the USSR exists at the present time.

According to available data, of the developed states of Europe, only Finland has a single-channel gas supply—from the USSR. In order to reduce their economic dependence, other developed states have from 2-3 channels (sources).

What alternate solutions do we have? We do not have any realistic opportunities for replacing natural gas with other types of fuel. The gas must obviously be obtained from other channels. Perhaps it is possible to obtain natural gas from the North Sea workings, that is, join the system of gas pipelines for West Germany, the Netherlands or Denmark. It goes without saying that this will be quite expensive.

In discussing alternative solutions, we must not overlook the fact that in the western part of the republic, near Klaypeda, a geological anomaly has been uncovered which is making it possible to utilize heat from the earth's depths. According to preliminary data, its capability is comparatively low—700,000 tons of conventional fuel. An urgent need exists for evaluating with a maximum degree of accuracy the amount from this source that is suitable for use as fuel, and also its technical potential and economic feasibility.

The second and equally important item with regard to the exclusive dependence upon the raw material base of the USSR—petroleum. Last year the Mazheykyay Petroleum Refining Plant processed almost 13 million tons of petroleum, which arrived via an oil pipeline. Of this amount, 7.1 million tons were used in the republic. Using its own products, Mazheykyay satisfies the requirements of other Baltic republics.

What are the alternatives for reducing the exclusive dependence upon petroleum raw materials? Some petroleum reserves have been uncovered in the republic. The extraction of our own petroleum may amount to 0.2 million tons annually. Thus the opportunities in this area are very limited today. It is expected that considerable supplies of petroleum will be uncovered on land and along the Baltic shelf. Petroleum can be imported through the port of Klaypeda. A petroleum base is in operation in Klaypeda which, in 1989, exported 8 million tons of mazut. Problems are being resolved at the present time in connection with its technical modernization and reconstruction, in the interest of converting it into an export-import base. It is believed that this represents one of the more realistic variants for obtaining a portion of our petroleum from other sources. It should be borne in mind that marine transporting of petroleum is more expensive by a factor of 1.8 times than shipments carried out by means of an oil pipeline.

Normal deliveries of natural gas and petroleum—this is the chief question and one of paramount importance, an acceptable answer for which must be found commencing with the very first days of existence of our independent

Lithuania. It is the foundation for stable functioning by our entire economy and national economy as a whole and for a stable life for our people.

In discussing alternative gas and petroleum deliveries, we must evaluate the circumstance that our prices for them are several times lower compared to the prices on the world market. For example, we are presently paying 28 rubles for 1,000 cubic meters of natural gas and the price on the world market—97 dollars; the price for a ton of petroleum is 30 rubles and 110 dollars respectively.

If we converted over to world market prices, then a deficit in excess of 700 million dollars would form as a result of petroleum products alone.

It bears mentioning that the world market prices for a majority of the types of imported raw materials and other materials are considerably higher than those prevailing in the USSR at the present time.

We have at our disposal today a comparatively powerful power engineering base, the foundation for which is the Ignalina Atomic Electric Power Plant and the Lithuanian GRES [state regional electric power Plant]. In 1989, 29.1 billion kilowatt hours of electric power were produced. Of this amount—16.6 billion kilowatt hours at the Ignalina AES [atomic electric power plant]. In all, 17.0 billion kilowatt hours were used throughout the republic. Thus, a definite reserve exists. The available power engineering capabilities, if we evaluate the factors concerned with realizing economies in the use of electric power, should be sufficient to last until the period 2000-2005. Hence, a need exists at the present time for solving the question concerned with the creation of new power engineering capabilities.

From the standpoint of the economic position occupied by an independent Lithuania and in the interest of having a stable power engineering complex, great importance is attached to the Kayshyadoris GAES [pumped storage electric power plant]. Thus its fate, capability and relationship to nature must be resolved in a very responsible and sound manner.

There is still one more item associated with direct dependence upon the raw material base of the USSR—this is apatite, required for the production of phosphate fertilizers. The Kedaynyay Chemical Plant consumes 0.54 million tons annually. This raw material is delivered by rail from the Kola Peninsula. The alternative—apatite delivered by maritime transport from other countries. However, this would require an expansion in the port of Klaypeda. On the whole, this port will in the future be of considerable importance for the functioning of an economically independent Lithuania, and thus its future prospects and efficient utilization should be analyzed completely at the present time.

In evaluating the availability of raw materials and other materials for both the present and the future, it must be understood that the republic's economy developed as a constituent and integrated part of the national economic



complex of the USSR. Thus the search today for alternative solutions is a difficult problem, and yet such solutions are needed.

With regard to the raw materials and other materials being imported from various regions of the USSR, comparatively acceptable decisions are possible to a considerable degree based mainly upon equivalent exchange. It is our belief that the creation and functioning of joint enterprises offer fine prospects for the future in this area. For example, this applies to ensuring the availability of cotton—through the organization of a joint enterprise of the Alitus Cotton Combine with Uzbek plants for the primary processing of cotton. Joint enterprises would also be capable of solving problems concerned with ensuring the availability of timber (today we are importing 35 percent of the entire amount of timber being consumed).

The agro-industrial complex, which furnishes more than one half (52 percent) of our national income, occupies a special place in our republic's economy. At the present time, we are producing the principal products of agricultural specialization—meat and milk—and in considerably greater amounts than we are consuming. In 1989, roughly 60 percent of the meat and dairy output was consumed in the republic. In order to satisfy fully the needs of the republic's residents, the portion of the mentioned products consumed on site must be somewhat greater. On the other hand, agricultural production does not have adequate supplies of internally produced concentrated feed. In 1989, of almost 3.6 million tons of concentrated feed expended, imported feed amounted to 1.3 million tons, or 37 percent. Approximately 400,000 tons of grain had to be imported for food purposes.

Last year we produced 242,000 tons of sugar, including 79,000 tons, or 33 percent, from our own sugar beets. The remaining amount of sugar is being produced from sugar cane raw materials imported from Cuba. However, we are consuming 188,000 tons of sugar, that is, more by a factor of 2.4 than the amount being produced using local raw materials.

What are the alternatives here? After rejecting imported concentrated feed, an attempt should be made first of all to reduce meat production in the republic by 100,000-120,000 tons (in dressed weight). Thus the structure of the plantings and also livestock husbandry specialization should be examined and progressive technologies for the raising of livestock should be introduced after first reducing considerably the specific expenditures for feed. For all practical purposes, no opportunities are foreseen today for proceeding in the absence of imported sugar cane.

One urgent problem is that of selling agricultural products on the foreign market. The cost for the production of such products is higher by a factor of 2-3 than similar costs in western countries. Hence, a need exists for sharply raising the efficiency of agricultural production.

In addition, the prospects for cultivating and processing flax must be examined anew, while taking into account the fact that there is a tremendous demand for linen products on the world market and that considerable experience has been accumulated in the republic in the growing and processing of this crop.

Other problems will also arise in connection with the formation of the economy for an independent Lithuania. Solutions must be sought and found for them. A great amount of effort is needed in order to eliminate dependence upon the center for rail, maritime and aviation systems, communications systems and others. In order for them to be able to function in a normal manner under the new conditions, the appropriate departments of the republic must display concern for this matter at the present time.

An attempt was undertaken here to describe the principal and, if you please, the most difficult and urgent problems. At the same time, in addition to evaluating our independence, we must also bear in mind that there are a number of enterprises in Lithuania which are engaged exclusively in satisfying the needs of the USSR. For example, the Vilnius Plant for Electric Metering Equipment is the only enterprise in the country engaged in the production of domestic electric meters. Seventy five percent of the country's gross production of deflecting systems for television sets is concentrated at the Vilnius Plant for Radio Components. The Panevezhis Plant for Auto-Compressors supplies 70 percent of all motor vehicles produced in the USSR with pneumatic braking systems. One type of product produced by the Kaunas Television Plant—channel selectors—is used in more than 60 percent of the television sets being produced in the country. More than 30 percent of the entire production volume of fuel equipment for USSR tractors is concentrated at the Vilnius Plant for Fuel Equipment. On the whole however, our republic's production constitutes 1.5 percent of the gross production of the USSR. Thus the national economy of the USSR can be restructured rather easily in order to be entirely free of dependence upon us. USSR Gosplan is already solving the problem—how to avoid such dependence.

The geography of the economic relationships must also be taken into account. At the present time, approximately 52 percent of all import and export transactions is with Russia, 8 percent with neighboring Belorussia and 6.5 percent—with Latvia and Estonia. Since some of the economic relationships were formed under the conditions of centralized branch administration and planning, extensive opportunities are available for streamlining them. First of all, a need will exist for developing and improving economic relationships with the Baltic republics and for defining more specifically in an organized manner the work already begun.

The creation of an economy for the independent Lithuanian state under natural conditions, while taking into account the need for ensuring stable functioning of the republic's economy and normal living conditions for the



people, must be a process which requires consolidation of all of the political forces and very tense and purposeful work by each individual. The restoration of statehood must take place while taking into account the true economic situation and thorough integration of our economy in the national economic complex of the USSR. The political decisions must also be weighed against the economic consequences. Therefore, in addition to the timely and thorough implementation of a USSR law governing economic independence for the three Baltic republics, a need exists for preparing a draft agreement on economic and scientific-technical relationships with the USSR and for commencing appropriate negotiations.

Ideally, use should be made of the experience accumulated in Finland. For example, immediately following the war (in 1946), a trade agreement was signed between Finland and the USSR, and in 1948—an agreement calling for extensive collaboration—in 1983 it was extended a third time for a period of 20 years. In foreign trade, for the purpose of mutual accounting between the two states, successful use was made of a so-called clearing system, that is, finally accounting at the end of a year's time.

The draft agreement should call for the maintenance of existing economic relationships, particularly in the fuel and power engineering branch, with a continuance of the modern accounting prices for a period of several years, or at least a gradual conversion over to world market prices and with use being made of the clearing system in mutual accounting. Similar agreements must be concluded with the other republics of the USSR.

The chief strategy of the foreign economic relations of Lithuania must consist of the following:

- further importing of the principal raw materials and fuel from the USSR;
- the adoption of progressive equipment and technologies, particularly through the creation of joint enterprises with western countries;
- mainly exports towards the East and as the production level improves, a gradual development of the western market. Moreover, Lithuania is important to western firms as a springboard to the eastern market. Full use must be made of this circumstance.

Thus work must be carried out immediately aimed at developing the concept of foreign economic relations and the specific program for increasing our export potential by several times or even by several dozen times. We must obviously orient ourselves towards exporting the products of agriculture, scientific-intensive electronics and radio engineering, metal cutting machines, light industry products and other items produced by us. For coordinating foreign economic relations and developing and implementing state policy in this area, we will need

appropriate organizational structures. An active state policy will be needed for increasing the export potential of our economy.

In evaluating the possibility of integrating the republic into the European economic community, we must take into account the fact that at the present time our costs for both industrial and agricultural output are several times higher and labor productivity is considerably lower than the figures for developed European states.

The principal path to be followed for raising our export potential is the creation of joint enterprises and their efficient operation, the stimulation of investments of foreign capital in the republic's national economy, the efficient use of foreign credits in the interest of raising the level of production equipment and technology as rapidly as possible, the development of foreign tourism, and the formation of special economic zones or use of the economic mechanism in such zones throughout the entire territory of the republic.

Of equal importance is the efficient and thrifty use of all resources, particularly fuel and power engineering resources. This must become a firm priority and a most important principle of the economic policy of independent Lithuania and it must be served by the economic mechanism, the state structural and scientific-technical policy and the orientation of society. Substantial and basic changes are needed in this area if we are to realize any forward progress.

Compared to Sweden or Finland, Lithuania presently requires 1.5-2 times more fuel, power, wood and metal for the production of a unit of national product. Compared to Finland where an average of 20 kilograms of conventional fuel is consumed for heating one square meter of dwelling space, in Lithuania—60.

Great importance is also being attached to a scientifically sound ecological policy, one which is based primarily upon the introduction of waste-free technologies.

Obviously, we will be unable to achieve success if we fail to create a demonopolized economy and normal economic relations for an effective economic mechanism, in combination with the market mechanism and sound state regulation. These are new attitudes towards ownership and reorganization of the price formation, taxation and financial-banking systems, emissions of our own money and customs duty policy. Groups of laws on functioning of the economy and other normative documents are being prepared in the Council of Ministers of the Lithuanian SSR. Some of them have already been adopted by the republic's Supreme Soviet. Here there is a large amount of work remaining to be carried out in the near future.

However, a proper evaluation has still not been provided for the foreign relations and economic functioning of Lithuania as an independent state and the means and methods for stabilizing and reorganizing them.

The formation of an economy for independent Lithuania inevitably requires considerable structural changes, more efficient use and a redistribution of the labor force and the creation of realistic social guarantees for all people with regard to avoiding large-scale unemployment. Thus importance is attached to developing a state program for structuring the economy and a mechanism for carrying it out.

Importance is also attached to depoliticizing the economy completely. Thus the foundation will be established for an objective evaluation of the aspirations and potential and for combining political and economic actions.

A need will also exist for evaluating the economic and other losses sustained by Lithuania during the period from 1940 to 1990, as a result of loss of its independence.

The functioning of the economy of an independent Lithuania will be largely dependent upon the structure of its foreign relations. The plan for priority actions associated with the development of these relations and the implementation of this plan—this is the chief practical task of the republic's government and all of the economic and other structures.

It is the hope of the committee that society, scientists and practical workers, once they have acquainted themselves with the published materials, will offer their own recommendations and comments and in this way assist the work of the committee.

**Washington Group Urges U.S.-Soviet Deals**

90UF0038A Moscow *SELSKAYA ZHIZN*  
in Russian 3 Apr 90 p 3

[Article by TASS Correspondent V. Matyash, Washington: "Sprouts of the New"]

[Text] Washington. "Success in creating joint U.S. and USSR enterprises has enormous significance for perestroika and the processes of renewal in the Soviet Union and meets the interests of both countries first of all for broadening trade and economic relations." This is a statement released by the Washington Committee on American-Soviet Relations. It emphasizes that the "achievement of better mutual understanding between the two countries significantly increases the opportunities for successful operations of the joint enterprises being established by the United States and the Soviet Union."

While noting that over 150 American companies have already shown interest in forming mixed enterprises in

the USSR which is carrying out "revolutionary political restructuring," the committee stated: "This new form of economic cooperation between the two countries makes a significant contribution to the general improvement of Soviet-American relations. It is also called upon to prove that, in the presence of good will, joint enterprises can effectively operate in the Soviet Union while advancing economic reform."

As reported in ASTES, the number of joint American-Soviet enterprises is multiplying like new sprouts in the mutual relations of the two countries in the trade and economic sphere. Thus, the Monsanto Corporation signed an agreement with its Soviet partners for a project in the chemical industry area in Ryazan. A protocol on joint production of ultrasonic diagnostic equipment in the USSR was signed by Hewlett-Packard with the USSR Ministry of Public Health and USSR Ministry of the Aviation Industry. The universally well-known American Telephone and Telegraph Company has begun negotiations to establish a joint telephone company.

### Swedish Economic System Seen as Possible Model for USSR

904A0260A *Novosibirsk EKONOMIKA I ORGANIZATSIYA PROMYSHLENNOGO PROIZVODSTVA in Russian No 2, Feb 90 pp 183-198*

[Article by A.I. Milyukov, doctor of economic sciences and deputy head of the social and economic department of the CPSU Central Committee, and V.K. Senchagov, doctor of economic sciences and chairman of USSR State Committee for Prices, under "Foreign Experience" rubric: "Swedish Model: the Third Path of Development"]

[Text] **On behalf of the CPSU Central Committee, a group of party and soviet workers visited Sweden, where it studied the "Swedish model" of economic and social development. The marked progress of the national economy, the well-organized management system, the improvement of working and living conditions, the practical elimination of unemployment in the last six years, etc. evoke not only cognitive but also purely practical interest—can the Swedish experience be utilized in perestroika?**

We studied the functioning of the "model" at different stages: directly in production and trade (enterprises, farms, trade centers, local bodies and institutions for social security); in national institutions and associations (ministries of the labor market, finances, external trade, administration of agricultural and consumer cooperatives and others); at the level of the political and economic leadership of the country, there were meetings and conversations with the prime minister of Sweden, the chairman of parliament, leading ministers and leaders of political parties. The result of the meetings, research and reflection was the article presented to the attention of readers.

#### Financial and Credit System

A special feature of the Swedish financial system is the high level of taxation, which is more than 50 percent of gross national product, whereas it ranges from 30 to 45 percent in other countries of Western Europe, in the United States and Japan. About 40 percent of all budget expenditures go for health care, social security, the development of education and culture. As a result, unemployment in the country has now been reduced to a minimum and the current incomes of the population have been leveled out; the level of social security of citizens is high, especially for pensioners and the disabled; Swedish companies have a great export capability and occupy a firm position in the world market.

Along with the short-term state budget in Sweden, they formulate a forecast for a 5-year budget. It is published by the Ministry of Finance and amendments can be made in it taking into account changes in policy and in the economic situation—right up to the adoption of a final version by parliament.

The main objective of the country's budget policy beginning in 1982 was the overcoming and complete elimination of the budget deficit. These facts are evidence of the energetic nature of the measures taken by the Ministry of Finance, the government and parliament: the introduction of a temporary tax on insurance companies in 1987, which made it possible to receive an additional 16 billion kronor, or the decision of the Bank of Sweden that obligates commercial banks to hold part of their reserves in special interest-free accounts. Thanks to such a purposeful financial policy and the overtaking increase in incomes in the 1987/1988 fiscal year in comparison with the 1982/1983 fiscal year, the level of incomes increased by 75 percent, with an increase in expenditures of 23 percent. The budget deficit declined from 86.6 to 5.8 billion kronor. The experience of Sweden convinces us of the need to democratize the budget process in our country and to raise the role of the Supreme Soviet in the discussion of the budget and the regulation of its deficit.

The approach to the overall tax structure is indicative. A dominant role in it is played by taxes on personal income and property as well as taxes on goods and services in the form of an excise and a added-value tax. Taxes on income make up 88 percent, of which 41 percent are taxes on goods and services (indirect tax and added-value tax), 28 percent—taxes on personal income, and 5 percent—property taxes.

As we see, the overwhelming share is made up of taxes on the final income of different social groups of the population and a relatively small share is tax receipts from private companies and banks (the USSR has a fundamentally different structure of budget income: 21.5 percent—turnover tax, 29.2 percent—payments from the profit of state enterprises, and 7.4 percent—state taxes from the population).

Such an approach affirms the principles of stimulating all activities for the production of goods and services and the receipt of profit. What, for example, is the mechanism for the taxation of a Swedish company? The general rate of taxation of its profit is set at 50 percent but it can be lower than that for developing companies. The tax base is not the entire profit of the company but only after the deduction of so-called "reserves for budget investments." It is permitted to include in this reserve up to 50 percent of profit prior to the payment of the tax. In so doing, the tax rules prescribe how this reserve can be spent. That is, it cannot be used entirely as the company sees fit. But it can be expended for the construction of buildings, the acquisition of new equipment, the building up of stocks and the promotion of commodities for export. If the reserve is utilized without the approval of the government, then the entire sum plus a penalty of an additional 200 percent is included in the amount subject to taxation.

To get an idea of the scope of the preferential taxation, it is necessary to determine the share of total profit (before its distribution to different funds) sent to the budget. This share, estimates the Ministry of Finance, was

approximately 10 percent in 1988. But sometimes it happens this way: the small enterprise "Artplast" with 30 employees is well equipped technically, issues diverse output, from video cassettes to medical instruments, and is completely exempted from taxes on its profit during a period of large capital investments.

What about the taxation of personal income? It is set up on a progressive scale, differentiated from 35 percent for incomes of 10,000 to 80,000 kronor to 75 percent for incomes over 200,000. In so doing, 30 percent of the income, regardless of the amount, goes to local budgets (to the disposal of municipalities and provinces). A new scale of taxation is now being prepared that will be less progressive. This is being done to stimulate the labor of different social groups.

Today tax reform is obviously necessary in our country. Its essence is seen in a reduction of the tax squeeze on the profit of enterprises for the purpose of stimulating scientific-technical progress and the renewal of its material and technical base. At the same time, there is supposed to be a greater load on high personal incomes and on goods and services.

It is interesting that Sweden and the USSR have a number of similar elements in the regulation of wages. The experience of Sweden indicates that it is impossible to regulate wages through just one instrument. Along with the regulation of personal income in the form of a personal income tax, the total wage fund is also regulated there at a rate of 27 percent. Penalties have also been introduced for exceeding the rate of increase of the wage fund. The Volvo company, for example, paid 500,000 kronor to the Swedish Union of Entrepreneurs for raising the increase in wages, according to the president of this association. This regulation pursues the objective of restraining the basis for an increase in personal income and consumption so as to lower production expenditures and increase profit.

As for the Swedish banking system, the hierarchy there is the following: the Ministry of Finance specifies the activities of the Bank of Sweden, which to a substantial degree affects the activities of the commercial banks. The bank profit is 85 percent, determined by the difference between the interest rates for funds brought in and funds paid out and by the provision of services. The orientation toward profit and outlays does not hinder but, on the contrary, helps the bank to seek new clients. Thus, the president of Handelsbanken stressed that "we are pleased to grant credit to any client who can pay it back."

One of the factors in the effectiveness of Swedish banks is the decentralization of management and decision-making. In particular, this was expressed in the developed system of local branches. Just the one commercial bank, Svenska Handelsbank, for example, has a network of 450 branches (and this is in a country with a population approximately equal to that of Moscow). The managers of the local branches have the right to make

decisions on the granting of credit amounting to as much as 4 to 5 million kronor, and ordinary employees can grant credit up to 50,000 kronor. Another commercial bank, PK Banken, has the opportunity, thanks to an agreement with the Postal Administration, to serve private clients through postal departments, of which there are about 1,200 in the country.

Swedish banks make extensive use of computer technology and spend considerable sums on its development. Practically all commercial banks are covered by the international computer system "Swift" for bank communications, which significantly accelerates payments and operational turnover and reduces the share of monotonous labor.

In the opinion of the Swedish minister of finance, a substantial narrowing of the sphere of action of traditional banking institutions is possible in the future: the role of finance companies in the country is growing. Indeed, whereas 100 such companies were registered in 1981, there were already 244 of them in 1986 with outstanding loans amounting to 80 billion kronor.

#### Scientific-Technical Progress

The Swedish economy is open and oriented toward communications with other countries. Hence the special attention to the competitiveness of output, which can be supported only by relying on scientific-technical progress. Today the figures are these: Sweden has 0.2 percent of the world's population, 1.5 percent of scientific-technical expenditures, 1 percent of the production of output, including 2 percent of machine building and 3 percent of the exports of machine building output.

Expenditures for scientific research in Sweden are at the highest level in the world (in relation to gross national produce), being equal to those in the United States and Japan and higher than in other European countries. If one considers that the share of basic research in Sweden is lower than, say, in the United States, then Sweden occupies the leading position in the world in expenditures for applied scientific research work and scientific-technical studies.

The expenditures for research and development are especially large in Sweden's major transnational companies. These expenditures amount to more than 7 percent of the volume of sold output in the firm Saab-Skandia and about 6 percent in the firm ASEA (\$1.1 billion annually) and about 3 percent at Atlas Kopko (mining equipment). At the small chemical firm Berol, 100 of the 800 employees are researchers, etc.

The establishment of scientific parks at universities is encouraged. Such a park is operating actively at the university in Lund. The scientific park at the university in Uppsala is one of the largest centers for biomedical research in the world. It is also planned to establish such parks at other universities.

Scientific-technical studies—their own as well as those acquired in other countries—are widely used in production because of the aim of renewal and of making major innovative capital investments in the technical reinterpretation of production. In the years 1983-1987, for example, the volume of industrial capital investments increased by 60 percent, whereby this was expressed mainly in a renewal of equipment and an expansion of science-intensive production systems. Thus, the annual investments in the firm Saab-Skandia amount to 15 percent of the volume of output sold—more than \$1 billion. In particular, these capital investments fundamentally transformed the assembly of passenger cars. They started to make extensive use of robots and introduced a staged conveyor with buffer memories between its independently moving parts. As the result of reconstruction at the firm Asea, 6,000 old jobs were eliminated and 8,000 automated jobs were created for the production of new output. This included the construction of the largest plant in the world for the production of industrial robots of six different types with six or seven degrees of freedom, issuing more than 2,000 products a year. At the firm Elektrolux, the main producer of household equipment in the world, investments increased by 15 to 20 percent annually.

The state's economic policy contributes to the increase in investments. Part of the profit used in capital investments is exempted from taxation. Also exempted from it are the receipts from the sale of shares of stock in the formation of new firms, which stimulates the organization of new enterprises.

The rapid development of new and primarily science-intensive production systems is organically linked in Sweden with the curtailment of noncompetitive traditional branches. Sweden, which held second place in the world after Japan in shipbuilding, closed all of its shipyards in the last 10 years. The extractive industry and ferrous metallurgy were reduced by half and the textiles industry by more than half. Taking the place of the old shipyards, textile factories and metallurgical production systems—with the help of the state—were branches of the firms Volvo, Saab, Asea and others.

The relatively rapid and painless structural reorganization of industry that Sweden finished sooner than other countries was greatly facilitated by the new approach to the training of manpower and its placement in jobs. The retraining of workers is accomplished in the course of 18 weeks by self-supporting organizations under a contract with the state (which allocates special funds for these purposes) and firms. An average of \$12,000 to \$13,000 is spent on the training of one worker. Basically, these workers are guaranteed jobs.

The market orientation of Swedish firms has the greatest impact on the scientific-technical development, efficiency and quality of Swedish output. For about half of Sweden's industrial output goes to the external market and it is even 70 to 90 percent for advanced firms.

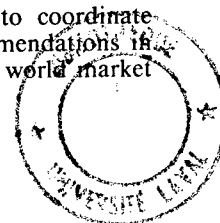
In emphasizing the control of the world market, Swedish companies, above all large companies, are becoming transnational corporations, are acquiring firms and enterprises in other countries and are merging with companies with the same specialization in their own and other countries. Saab merged with Skania, Volvo bought the English firm Landrover that produces buses and attained first place in Europe in their production. The concern Elektrolux acquired 200 companies in more than 100 countries over 20 years. Asea merged with the Swiss company BB and the new concern ABB doubled its might and occupied first place in the world in the main directions of production in the electrotechnical industry.

Taking into account the market situation, Swedish firms are seeking new applications for their forces and are beginning to produce new output. The company Tetra-Pak, which has done a huge business producing a fundamentally new packing instead of bottles and cans for the packaging of liquids, is increasing its production by 10 to 15 percent a year. The firm Duki organized the mass automatic production of dishware, tablecloths and napkins as well as medical implements for different purposes, displacing the usual attributes from many areas (from airlines, for example). The firm Elektrolux is shifting to the production of an automated housekeeping system. The firm Ikea is organizing the design, production and sale of fundamentally new furniture—dismountable assembled furniture costing 20 to 30 percent less than usual furniture but no lower in quality. Its assortment is large—12,000 items. The chemical firm Berol, which experienced difficulties with its sales, was reorganized for the issue of new science-intensive output, in particular amines, the base product for the formation of the latest branches of chemistry.

Multiple-profile corporations and large-scale companies have become widespread in recent years. Thus, for example, the concern Volvo is now producing not only passenger cars and trucks, buses and their engines but is also producing aircraft engines and automatic loading systems and deals in food processing, pharmacology, transport and trade operations. The state firm Procordia has a sector of beverages, foodstuffs, tobacco, hotels and restaurants, pharmaceutical enterprises, chemical products and machine building plants. The concern Alpha-Laval is operating in the area of the production of equipment for the food industry, agriculture, biotechnology, animal husbandry, ships and energy enterprises and also issues dosing and analytical equipment and automatic machines for production processes and deals with design work.

At the present time, all large companies have, as a rule, several stable directions of business and one or two enterprises with a risky business, in which they develop the production of new progressive directions: it can bring significant profit as well as losses.

Some companies have formed groups to coordinate international business. They give recommendations in accordance with the development of the world market



and clarify trends and prospects. As a function of this, policy is changed and a strategy is determined for the development of production and market activities. Thus, the concern Alpha-Laval was quickly able to restructure part of its production and organize the mass production of rubber separators, having been able to forecast the boom in the consumption of rubber in connection with the rise of the Aids problem. As a result of the correct forecast, the concern Yesab has now been able to gain 40 percent of the European market for welding electrodes. The firm just as correctly forecast the boom in industrial welding work and opportunely organized industrial cooperation with the concern Asea.

Many large Swedish corporations are pursuing an active policy of buying up competing firms. Thus, the concern Sandvik not only merged with the Belgian company Diamond Boart in 1987 but also bought one of the departments of General Electric in the United States—the company Carboline Systems Product Operation, one of the largest firms in the world for the production of hard-alloy instruments. The concern Elektrolux, buying up enterprises in other countries, has now become the largest producer of home electrical appliances in the world.

The large companies and corporations sometimes establish joint subdivisions, e.g., for the more successful sale of their output in particular regions. Thus, the largest Swedish cooperative KF and the state concern Procordia formed a mixed company KF/Procordia, which deals in trade with socialist countries. This company successfully utilizes the good ties of the cooperative KF in the Chinese market and the equally good ties of Procordia in the Soviet market and the markets of the European socialist countries.

### Agriculture

Sweden's agriculture, occupying about 8 percent (3.6 million hectares) of the country's territory and making up 3.8 percent of the active population, satisfies the needs of the internal market for food products and exceeds these needs for some kinds (grain, butter and pork). It is characterized by high productivity (grain yield over 50 quintals per hectare and milk yield of 6,015 kilograms per cow), mechanization and advanced agricultural technology, and its labor productivity occupies one of the leading places among the top five countries of Europe. The meat-dairy and bacon orientation of animal husbandry is quite pronounced (75 percent of the volume of income).

Specialized large and medium-scale private ownership is predominant. Altogether there are more than 100,000 farms with an average size of 27 hectares (70 percent are less than 30 hectares and only 3 percent are more than 100 hectares). More than 80 percent of the farmers are operating on their own land.

Cooperation prevails in Sweden's agricultural production. The basic structures are cooperative agro-industrial

associations functioning on the basis of vertical integration. Cooperatives bring together practically all farms. More than 80 percent of the commodity production produced by farmers is sold through them and they account for 50 to 60 percent of deliveries of the means of production.

What is behind the universal establishment of cooperatives? The fact is that the country had the need to unite the efforts of farmers to protect the national production of agricultural output; it could not withstand price competition from imported commodities. Specialists from the Swedish Ministry of Agriculture estimate that the value of gross agricultural output of their own production amounts to 25 billion kronor, whereas only 10 billion would have to be spent to purchase the same quantity and quality of food products at world prices. It was decided to utilize resources in a volume that would satisfy the domestic needs for food and also fulfill international obligations, despite the apparent unprofitableness of agricultural production. In this situation, the government supports farms in every way and encourages the cooperative movement. It must be said that in recent years in Sweden there has been an increase in concentration of production in the cooperative sector. Thus, in comparison with 1971, the number of farms declined by 43,700, or 29.2 percent, and the average farm size increased to 27 hectares, or by 39.8 percent.

Small-scale supply, marketing and processing cooperatives are uniting on a regional basis. Just in the last 27 years, 341 milk enterprises have lost their independence through merger. Large-scale agro-industrial formations are being established and they include cooperative associations of two or three branches. An example of this is the Landmanen agro-industrial association that unites mixed feed enterprises belonging to cooperatives for the supply and sale of mixed feeds and to dairy cooperatives. Such associations strengthen the positions of cooperatives in competition with large-scale private capital. The latter has priority in poultry farming, vegetable growing and horticulture.

Considering that the soil and climatic conditions of a number of agricultural regions of Sweden are similar to those of the Baltic region and Belorussia, the organizational and technological side of the matter is of interest to us. In our view, the positive experience of farms in Sweden can be utilized in agriculture in the USSR. This experience can be adopted in six directions.

1. Swedish agricultural cooperation is based on the family operation of farms: as already noted, 70 percent of the farms are smaller than 30 hectares. As a rule, the main worker at such farms is the head of the family and only on intense days does he receive help from his wife and children. The ongoing concern of cooperatives about the sale of output and the provision of everything necessary contributes to their efficient labor.

Under our conditions, it is expedient to lease land and fixed capital to family farms or collectives of intensive

labor with remuneration for final output. In so doing, kolkhozes must act as supply and marketing cooperatives, that is, buy up the entire output produced by the kolkhoz workers and provide for its delivery to processing enterprises and also sell everything needed for the intensive operation of the farm: mixed feed, seed and machinery.

2. Swedish cooperatives produce milk, meat, eggs, oil crops, seed of grain crops, sugar beets and potatoes and also deal with supply and marketing work and breeding activities and organize banks, etc. The cooperatives are organized in 16 branch alliances. Each cooperative operates in a particular territory and farmers are members of five or six cooperatives depending upon the output produced.

The branch alliances are united in a National Alliance of Farmers, a coordinating body for the cooperative and trade-union movement, which defends the economic interests of farmers in the government, influences agricultural policy in a direction favorable for them and provides information and knowledge.

Each cooperative invests capital in the establishment of a processing enterprise. Thus, the farmer becomes its owner through shares of stock or redistributed profit. Since the enterprise is the property of the cooperative, its activities are completely subordinate to the interests of the latter. This is also supported by the fact that the management of the enterprise is appointed by the cooperative's board of directors and reports to its members on organizational and economic matters. The board of the cooperative also reports to the farmer about its economic work: an annual financial report is issued for this purpose. This supports the material interest of all members of the cooperative in the successful work of processing enterprises. This is why the farms sell 98 percent of milk, 80 percent of grain, 80 percent of cattle and poultry and 75 percent of eggs through cooperatives.

It is possible on an experimental basis to introduce (in Belorussia, for example) a system for the management of agricultural production under the branch principle (and not the territorial principle as is now applied in the republic). For this purpose, it is expedient to organize branch associations within the limits of the regular work force and wage fund customary in the system of the agro-industrial complex and to affirm for them a progressive-bonus system of remunerating labor as a function of the final results of economic work, etc.

3. All Swedish farmers participate actively in the management of the cooperative movement. The size of their holdings thereby matters little: each farmer has just one vote at meetings, where important questions in the life of the cooperative are decided.

Considering that the kolkhoz is the primary cooperative of kolkhoz members, we should raise the role of the latter in the formation of management bodies and their reporting of the economic and financial activity of the

cooperative, having transferred technological functions to family farms and collectives of intensive labor.

4. In Sweden, they are concerned about efficient land use regardless of to whom it belongs. By the way, a person has the right to own agricultural lands only if he has a document showing that he has finished an agricultural school, has mastered the fundamentals of agricultural technology, mechanization and economics and also knows how to drive a car and farm machinery and use the machinery of stock farms. If we were to introduce such a system, one highly qualified specialist would be sufficient for consultation.

5. Tax privileges established by the state help to keep the farmers on the land and to preserve their small farms. The farmer is generally exempt from taxes if he uses his income to increase fixed capital. This encourages the construction of a large house with central heat using liquid fuel, water supply and sewage. The kitchens are equipped with electric hot plates, which greatly alleviates the family's household labor.

6. KF became the largest cooperative association for consumer goods. It brings together 2 million members and has a commodity turnover of about 29 billion kronor. The cooperative includes 100 enterprises and 11 production companies, about 2,000 stores controlling one-sixth of the entire retail trade of the country and 20 percent of the trade in foodstuffs, a large number of hotels, travel agencies, restaurants and laboratories to monitor the quality of food products. The association owns 17 large warehouses with a high degree of mechanization and automation of loading and unloading work. The fundamental difference between the cooperative alliance KF and our Tsentrosoyuz is that the latter avoids the development of food branches and the procurement of food resources under contracts with kolkhoz members and sovkhoz workers. And why not lease to departments of consumer cooperatives small state enterprises in the food industry?

#### Social Policy

This is the core of the Swedish model of society. Three basic social problems stand out: the implementation of the principle of equality, that is, equal possibilities of prosperity for all members of the society; the provision of social guarantees to people in different situations; full employment for the able-bodied population. The social democrats see the main merit of the Swedish model in the fact that it permits the combination of high economic growth with the raising of the prosperity of the population and above all with the provision of full employment.

The resolution of these problems yielded quite perceptible results. After Japan, Sweden has the highest life expectancy in the world—77 years. In terms of the level of aggregate personal consumption per capita, Sweden occupies first place in Europe and third place in the world after the United States and Canada. It is second in the world after the United States in per capita consumption of paper.



Sweden has the highest level of employment of the able-bodied population among the developed capitalist countries: it amounts to 83 to 84 percent, according to Swedish statistical estimates. Unemployment has been reduced to 70,000 people, which is 1.6 percent of the able-bodied population. Persons are considered unemployed when they have been out of work more than 5 days. At the same time, according to data from the Labor Market Board, the country has about 60,000 vacant jobs that arose because those seeking work lack skills or because of inconvenient geographic locations.

The employed population by branches is distributed as follows: 30 percent in industry and construction, 5 percent in agriculture, 7 percent in transport and communications, 14 percent in trade, public catering and material and technical supply, and 44 percent in other branches, primarily in the service sphere.

It was approximately in the mid-1970's that a system of so-called "laws of reliability" was worked out in the country. It rigidly regulated the procedures for hiring for work, the reasons and procedure for dismissing workers, working conditions, etc. In so doing, the dismissal of workers must be discussed with the trade-union committee, which may not agree with this decision if it contradicts labor legislation.

Along with this, in 1982-1983, the Swedish social democrats worked out a concept for "active policy in the area of the labor market," which had the ultimate objective of the complete elimination of unemployment and provided for a system of measures for the establishment of new jobs, their registration on an overall national scale and the retraining of personnel. In a certain sense, this system is unique, because in the overwhelming majority of other countries measures in this area amount to the provision of material assistance to the unemployed—in the form of benefits, as a rule. According to the calculations of Swedish employment offices, three-fourths of the total sum going to raise the employment of the population is expended for active policy in the labor market and only one-fourth is for the payment of unemployment benefits.

Today there are 320 employment offices scattered throughout the territory of Sweden. Extensive computerization and a common data bank make it possible to obtain information in any office on vacancies and the conditions of the offered work in the scope of the entire country. In so doing, the measures do not by any means amount to the provision of work: the main thing is considered to be occupational orientation (it covered about 30,000 people in 1987). With this objective, 88 labor market institutes have been established in the country. They determine the possibilities of their clients, give recommendations and send them to courses. It has been calculated that the institutes spend an average of 70,000 kronor on each person desiring to receive a new occupation.

Unemployment insurance arose in the country in the early 1930's at the initiative of the trade unions. Today only 15 percent of the benefits are paid out on the basis of insurance premiums, and the remaining 85 percent are state resources from the compulsory contributions of enterprises and taxes. In practice, about 80 percent of working people are members of unemployment funds. A number of conditions must be observed to receive benefits. In the first place, it is necessary to be a member of the fund at least 1 year and work for a certain time (under the collective contract for Volvo workers, for example, this period is 75 days within the course of 5 months). In addition, they are required to continue to seek work (unemployed persons are obligated to register regularly with the labor exchange). If they reject a job offered to them in their specialty, the benefits are taken away for 20 days. After several refusals, the unemployed person loses all rights to benefits. The total period of benefits is a maximum of 450 days for those 55 years of age and older and 300 days for everyone else. The amount of the assistance depends on the lost income and can reach 91.7 percent of wages, depending on the length of employment. An upper limit has been set, however, that is now 400 kronor a day.

Sweden has a developed social security system. It is represented by diverse forms of service and money assistance that are revised, taking into account a price index. One of these forms of assistance, a pension, is general in nature and is subdivided into three forms: for old age, in connection with the loss of the capacity for work, and a family pension (in the case of the loss of the breadwinner).

The old-age pension is the basic form of pension. It can be made up of three parts: a national pension, a general supplementary pension for length of service, and additional payments.

The national pension is paid to all Swedish citizens regardless of the kind and length of work and also to foreigners who have lived in Sweden at least 10 years after reaching the age of 16, including the last 5 years immediately before the receipt of the pension. The national pension is uniform for all and amounts to 90 percent of the minimum living wage, which is calculated by the central statistical administration for each month. Besides pensioners for age, it is also received by the disabled from birth. The national pension is not taxed and in the event that the pensioner has no other income the municipal authorities fully cover the pensioner's expenditures for rent and provide for his free use of urban transportation and discounts in railroad transportation.

The general supplementary pension for length of service is paid to Swedish citizens as well as foreigners. The main condition for its receipt is hired work or entrepreneurial activity for at least 3 years. It amounts to about 60 percent of the average income.

The second supplementary, or additional contractual, pension represents an addition to the first two and is paid out in accordance with the conditions stipulated in the signing of the labor agreement between the trade union and the employer. This kind of pension has not become widespread.

Of special interest is the system of social services for pensioners that includes assistance at home, old-age homes and homes (centers) with services. It has traditionally happened that in their old age Swedes do not get help from their children and therefore may rely only on their own efforts and the help of state and local authorities. In this connection, the Swedish society has established a developed system of social assistance to the aged, which is viewed as an integral part of their existence.

About 90 percent of Swedish pensioners live in their own apartments and houses and take care of their own daily affairs. With advancing age, however, a larger and larger share of them resort to social services. At the age of 80 to 90, let us say, practically one-fourth are in old-age or nursing homes or receive assistance at home.

Medical assistance to the aged suffering serious ailments is provided in special clinics and institutes for the aged. They can stay there permanently or utilize them periodically but with an extended period of treatment. These hospitals are financed by the Ministry of Health and Social Affairs, local authorities and in part by the pensioners themselves.

Swedish specialists have recently come to a conclusion on the need for the priority development of homes (centers) with services for pensioners: they require fewer expenditures, meet the interests of pensioners better than do old-age homes and permit them to maintain their accustomed style of living. As for old-age homes, they should be built for persons of the most advanced age in need of constant care.

Help to the aged at home has recently become widespread. Local authorities have taken on services of this kind. It includes food preparation, the picking up and laundering of linen, the delivery of products, hygienic service and several other services paid for by pensioners with a certain discount, or provided to them free of charge. According to the central statistical administration of Sweden, about 300,000 persons use different kinds of this assistance at least once a year.

The list of kinds of social assistance to Swedish pensioners can be continued: there is the reduction and sometimes complete abolition of payment for municipal services and charges for an apartment; there is the 50 percent discount on public transportation and, in individual cases, the right to travel at no cost; there are discounts in the provision of private medical assistance and for entertainment and cultural institutions. Overall, the average Swedish pensioner has an income exceeding that of pensioners in such countries as the United States, Great Britain, France, the FRG, Japan and others. It

must be said that the Swedish system of social assistance for women and children is equally well conceived.

As for health care, more than 9 percent of gross national product goes for its purposes. Sweden has the lowest infant mortality and the greatest longevity. At the same time, about 40 percent of the population suffers from chronic illnesses. The most frequent cause of death is heart ailments and the percentage of suicides is high.

The country has achieved a relatively high housing standard. In 1985, 96 percent of the population was living in spacious apartments or individual houses with modern conveniences: 98.9 percent of the apartments have telephones, 97.7 percent washing machines, 91.6 percent freezers and 97 percent televisions. On the average, each inhabitant has 1.8 rooms (counting kitchens). Just 2.4 percent lived in "crowded living conditions" (that is, apartments where there are more than two dwellers per habitable room, not counting kitchens and guest rooms, and 1.6 percent were in substandard houses. About 60 percent of all dwellings are owned by citizens and companies. Rent is about 30 percent of the real income of the families, and for this reason a significant part of the population is forced to ask for housing assistance.

COPYRIGHT: Izdatelstvo "Nauka", "Ekonomika i organizatsiya promyshlennogo proizvodstva", 1990

### Problems, Successes Of Soviet-Austrian Trade Relations

90UI0437A Moscow PRAVDA  
in Russian 11 Mar 90 p 5

[Interview by Al. Stepanov: "Features Of Austria's Perestroika: 'Pluses' and 'Minuses' of Cooperation"]

[Text] In Austria, the German word "umgestaltung" is used to refer to both our perestroika and the changes that have been effected in Austria's economy in recent years. Needless to say, this similiarity is purely outward. But what is the essence of these changes? Wolfgang Schussel, the alpine republic's Minister of Economy, who led the delegation that took part in the work of the 21st session of the Soviet-Austrian Joint Commission on Economic and Scientific-Technical Cooperation, answered these and other questions. The most important result of the talks in Moscow was the signing of an agreement on reciprocal investment protection.

[Stepanov] How would you characterize the present state of Austrian-Soviet economic ties? Has the decline of 1986 and 1987 been overcome?

[Schussel] Yes, a turning point has been reached, and justified hopes have arisen that marked successes will be achieved. Although, of course, it is necessary to constantly improve our ties. After all, what caused the decline? The deficient character of reciprocal deliveries. Your exports are primarily raw materials and energy

resources, and for this reason you are so dependent on prices for a limited group of commodities.

[Stepanov] Those commodities still account for nine-tenths of your imports from the USSR even today.

[Schussel] Nevertheless, the USSR is insisting, and quite rightly, that we can and must take from you a far wider range of manufactured goods than is the case at present. One solution lies in enlisting small and medium-sized firms in our cooperation on a wider scale.

[Stepanov] And setting up joint enterprises is easier and faster with such firms, isn't that true?

[Schussel] Since you've brought up the subject, I would like to recall a well-known remark by Armand Hammer, a man who knows how to do business with the USSR: "Joint enterprises—yes, joint ventures—no." Business can also follow certain fashions, so to speak. You have a "high demand" for joint enterprises right now. But the essence of the matter is the exchange of goods, and this cannot be forgotten. Don't think that I am opposed to joint enterprises. Incidentally, nearly 100 of them have already been set up, and about 100 more are being planned.

[Stepanov] Are you saying that you do not have enough information about Soviet parties to contracts? After all, we have a good many "neophytes" on the Western market today.

[Schussel] Yes. In the past, we dealt with a ministry whose creditworthiness was beyond doubt. But we have to study the new partners, in order to avoid making fools of ourselves. However, I see no grounds for pessimism. Nearly 400 investment programs totaling approximately 50 billion schillings have now been put together, as have 30 construction projects valued at 15 billion schillings. This certainly confirms the interest of Austrian business.

[Stepanov] The export orientation of your economy is well known. What percentage of your output do you currently send abroad?

[Schussel] Forty percent; by the year 2000 we will export 50 percent. Twenty-five years ago, the figure was only 20 percent.

[Stepanov] Could you briefly touch on the economic situation in your country?

[Schussel] Things are in pretty good shape. I won't repeat the figures that can be read in any reference work. You are probably interested in hearing to what I attribute these successes. First, to the flexibility and mobility of our economy, which stem from the large number of small and medium-sized firms. One detail: 98 percent of all Austrian companies have less than 100 employees. Second, to the tranquil development ensured by what we call the social partnership, which is to say the mutual understanding established between entrepreneurs and the trade unions, without whose participation no important decisions are taken.

[Stepanov] Is that mutual understanding really so full and completely unclouded?

[Schussel] Are you alluding to strikes? We have them, of course. But when calculated on a per worker basis, their duration last year amounted to one second! And a third factor is the federal government's new economic policy.

One of its basic elements is tax reform. Please don't consider this immodest, but what we have gained as a result of our changes in the past few years is one of the best tax systems in Europe. Without listing the details, let me say that taxes cannot exceed 30 percent for private firms, or 10 percent for people engaged in individual labor activity.

The next measure is privatization—the sale of state enterprises to private individuals. This process is having a beneficial effect on the budget. In the past three years, the government has obtained nearly 40 billion schillings. The remaining part of the state sector has also begun making a profit. Losing enterprises that were not amenable to reorganization had to be closed, and their employees, unequal to the task, had to be let go.

[Stepanov] That's a drastic step.

[Schussel] But an unavoidable one, unfortunately. Otherwise, the state budget would have continued to inevitably grow. But now it has been cut in half.

[Stepanov] The government's political position on the question of Austria's joining the European Economic Community is well known: Membership is possible only on the condition that neutrality is fully preserved. But what are the economic pros and cons?

[Schussel] Two-thirds of our exports go to EEC member countries. For an economist, that argument alone is more than sufficient. Our relations are currently based on bilateral agreements with the Common Market states and on agreements between the EEC and the European Free Trade Association. Surely it is only logical that we, already more integrated in the single European market than some EEC members, should enjoy full rights in it.

[Stepanov] So there are no minuses, then?

[Schussel] I didn't say that. But the pluses will outweigh them all the same. You could say that competition will increase. Believe me, we're used to it. Austria has shown that it can successfully operate in the world's toughest market—the Western European market. So should it continue to make competitive products and not enjoy the advantages that full membership entails—such as free movement of capital, services, goods, and everything else? Our admission to the EEC is logical and justified, for it will lead to the creation of a single economic space in Europe.

### Norwegians Divided on Lithuanian Events

90UF0031A Moscow RABOCHAYA TRIBUNA  
in Russian 31 Mar 90 p 3

[Article by RABOCHAYA TRIBUNA Correspondent  
M. Butkov, Oslo: "Do Not Bet The Home on Passions"]

[Text] The Lithuanian theme currently occupies a solid position on the front pages of Norwegian newspapers. Several government statements have already been devoted to the situation in Lithuania. I will point out that they are notable for their restraint.

K. M. Bondevik, the Norwegian Minister of Foreign Affairs, stressed that traditionally his country does not recognize a government but a state. Having recognized Lithuania's independence in the 1920s, Norway has never renounced it. However, it would be premature to consider the republic's current government to be legitimate.

Having called for both sides to use restraint, conduct a dialogue and reject the use of force, the Norwegian government fears that heated passions might deal a very powerful blow to perestroika in the USSR and impede construction of the common European home.

However, there are also those in Norway who call for the immediate establishment of diplomatic relations with the Lithuanian government and they are sharply critical of Oslo for its "indecisiveness". The essence of their statements is to present the USSR with a fait accompli and to "put pressure on Gorbachev" to compel him to agree to Lithuanian demands. It is curious that there are two opposition parties in the Norwegian Storting (Parliament) of seemingly totally different ideologies standing on this platform, the right [wing] populist Party of Progress and the radical Socialist Left Party.

There is now a Lithuanian parliamentary delegation in Norway at the invitation of the Socialist Left Party. It

carried a personal message from V. Landsbergis to Norwegian Prime Minister Jan P. Syse in which he calls for restoration of international relations between Norway and Lithuania and a renewal of the prewar trade agreement. The leader of the Lithuanian delegation announced that "private property has been introduced in Lithuania; we are ready to open our borders to foreign capital and to create very favorable conditions for foreign, including Norwegian, companies."

### Brazauskas Meets With FRG Representative

90UN0643E Vilnius SOVETSKAYA LITVA in Russian  
15 Dec 89 p 1

[Unattributed article: "Issues of Cooperation Discussed"]

[Text] Vilnius, 14 December (Lithuanian Telegraph Agency)—First Secretary of the CPLi [Lithuanian Communist Party] Central Committee Algirdas Brazauskas today welcomed Dietrich Sperling, president of the FRG-USSR Society and Bundestag deputy. Brazauskas informed his guest about preparations for the 20th CPLi Congress.

During their discussion Mr. Sperling stated that the government, political parties, and political circles of the FRG are interested in the events going on in Lithuania, Latvia, and Estonia. They understand the striving for independence and would wish that these processes do no harm to the policies of M.S. Gorbachev, whom the FRG and other West European states support.

Also discussed were matters of cooperation, and the establishment and development of ties between the parties, parliaments, and social organizations of Lithuania and West Germany.

Yustas Paletskis, director of the ideology department of the CPLi Central Committee, took part in the discussion.

**GDR Political Passions Explored**

90UF0032A Moscow *RABOCHAYA TRIBUNA*  
in Russian 1 Apr 90 p 3

[Article by *RABOCHAYA TRIBUNA* Special Correspondent G. Belotserkovskiy, Leipzig-Moscow: "The Leipzig Rally as Seen by an Eyewitness"]

[Text] I had the opportunity to be in Leipzig on the very eve of the elections for the GDR People's Chamber. The results of the election are well known. The Christian-Democratic Union [CDU] received 40.9 percent of the votes. Its strongest positions were in the south of the country in Leipzig. We all know that there is also a party with exactly the same name in the FRG. Many people are now forming the impression that the Eastern CDU has simply become a branch of the Western CDU. In essence, it is one party headed by its chairman, FRG Chancellor Helmut Kohl. That is the only way to explain the fact that it was precisely he who was the main agitator for the CDU during his strenuous tour throughout the GDR.

The chancellor felt quite at home. The reception was ecstatic and even more than that. Thorough preparations preceded his arrival in the country's largest industrial and cultural city. Kohl's smile literally sparked from every telephone poll. The exact time and place of his meeting with the people was on posters and leaflets: 15 March at 5 p.m. near the opera house. I have never seen so many leaflets and placards as there were around the opera house on that day. A mass of Western newspapers and magazines. I remembered a cover from one of them with an original collage: Kohl with Bismarck's helmet on his head. The comparison with the "Iron Chancellor" who created a powerful Reich from an odd set of German principalities is no accident: Unification of the two German states has become the leitmotif of all of the politicians of the CDU and two of her allies in the Alliance for Germany—the Democratic Breakthrough and the German Social Union Parties.

The crowd is still arriving. The [musicians] are playing stirring marches and folk melodies and aircraft and helicopters dragging banners behind them are sweeping over the opera house. Brisk sales of beer, cold soft drinks, and sausages are taking place near the square. Banners are unfurled from out of nowhere over the "head" of the crowd that is pressed against the opera house: "We are one people," "Socialism Never Again," "Well-being or Socialism."

The alliance has quite a few supporters in Leipzig. In unification with the FRG, they first of all see the opportunity to live more luxuriously and to have the same supermarkets as they have over there and to be able to move freely throughout the world not knowing hard currency barriers. There are also many doubters: What will happen to social protection and what about the possibility of becoming unemployed? It really is an indisputable fact that much has been done for the working man in the GDR. But the placards and the

leaflets also answer these questions: There is nothing to be afraid of, the FRG social security system is strong enough to also be extended to the East Germans. Everything will be O.K.—material compensation is a matter that has already been settled.

Chancellor Kohl's program struck my eye from one of the CDU's pre-election leaflets. A lot of space in it was devoted to the GDR's transition to a market economy. In the words of the leader of the Christian Democrats, that is precisely what will bring prosperity to the East German lands and will become the primary precondition for a currency union of the German States. It is true that they will have to work hard: Nothing will fall from Heaven.

But, supposedly the East Germans are waiting for one thing: Manna from Heaven. For them the word "unification" is just like Aladdin's "Open Sesame." Of course, the skillful propaganda of the Western press that interprets everything in a simple manner and that dominates the GDR's kiosks has had an impact here. Garish slogans excite their minds and the strong Bavarian beer goes to their heads. The counters of the modern peddlers who have brought extraordinary goods like the latest Japanese and West German video equipment, super stylish clothes and shoes, women's accessories, and foreign fruits and vegetables drive them out of their minds. All of this can be bought with either FRG marks or with East German marks, but you need to lay out three times more marks of the latter type. This is the exchange rate for now. But the politicians promise: We will soon exchange the marks one for one. This added even greater sympathy for the "Alliance for Germany." Naturally: As a result of unification, deposits in savings banks will grow by practically a factor of three.

A rally occurred with this as the background and the right-wing parties set the tone. Approximately three hundred thousand people gathered in the square and in the streets adjoining it. The flags and placards kept increasing. Then they began to simultaneously wave them from right to left under the mounting roar. No lack of coordination at all: Order and organization. They quite persistently demanded: "Helmut, Helmut." The chancellor was a bit late—a thing that is truly inexplicable in Germany and I had a chance to study the paper that was being distributed in huge numbers from one of the busses with Munich license plates. I leafed through it: It was a serious piece. Titles, paragraphs, subparagraphs. In short, a lesson prepared in the FRG by the Adenauer Research Institute. Everything is clear here: Where to run, what to do, how to more quickly put an end to socialism and, finally, how to enter into the lap of the Western world.

There were no representatives of the GDR's political left wing—that same Party of Democratic Socialism—at the rally. Their propaganda posters were literally out done and glued over by powerful groups of alliance supporters. Instead of it, there was the promise to finally be done with the "Reds" and to put an end to "the 57 year

barbarity." A roar of approval rang forth after that as one of the first speakers crisply pronounced: "Karl Marx died on March 15 1883. And today is also March 15 1990 and we are burying Marxism and his teachings."

Passions were skillfully inflamed. Generally, I was not especially surprised when the crowd raged with all it's might after the rally and a detachment of young people burst into the Leipzig Trade Fair Press Center and began to shatter the enormous glass doors. Fortunately, the people's police arrived just in time. All of this taken together and the atmosphere itself reminded me of the frames from the well-known film chronicles of the beginning of the 1930's. Everything also began in a similar manner at that time: Rallies, an upsurge in nationalism, euphoria, and militant anti-communism....

Incidentally, Handelsblatt, the venerable thick newspaper of FRG business circles, was self-consciously silent about this episode having provided a detailed account of Kohl's Leipzig episode. In the article, the rally was ingratiatingly called "an oath of loyalty to a man who many people perceive as a savior." From whom, from what? From the "Reds," of course. Well, and so forth.

Kohl's words were also printed about how the Common Market countries will number not 320 million as they do right now but 336 million people by 1992 with the GDR obviously providing the additional people. Western politicians are convinced that the division of Germany will be overcome this year.

It is true that I also encountered H. Kohl's words in one pre-campaign leaflet: "What we need now is cool-headedness and the ability to measure with the naked eye. We do not have to lose our patience during these weeks."

Good words. But how they strike a discordant note with the conscious arousal of nationalist passions with whose aid the right-wing parties hoped to obtain—and did obtain—a majority in the East German Parliament.

Well, the election is over. The future will show if it signifies "the end of the GDR"—books with such titles are not a rarity in Leipzig. Much will depend on the distribution of forces in the Parliament in which the alliance in and of itself still does not have a decisive majority to adopt the underlying laws. Much should already be clarified in the days and weeks ahead.

### **New Light Shed on 1948 Soviet-Yugoslav Split**

*90UI0415A Moscow PRAVDA in Russian 6 Mar 90  
Second Edition p 5*

[Interview with I. V. Bukharkin, expert of the Historical-Diplomatic Directorate of the USSR Ministry of Foreign Affairs, by V. Sharov: "USSR-Yugoslavia: 1948"]

#### **[Text] From the Pages of History**

PRAVDA readers experienced a state of shock when they opened the 29 June 1948 issue of the newspaper. It

carried a resolution of the Information Bureau of the eight European communist parties on the situation in the Yugoslav Communist Party. It was asserted in the very first paragraph of the document that the YCP "has recently been pursuing an incorrect line in regard to the basic issues of domestic and foreign policy, representing a departure from Marxism-Leninism." The article went on to discuss the "anti-Soviet position" of the Yugoslav leadership, its appropriation of slanderous fabrications addressed toward the USSR "from the arsenal of counterrevolutionary Trotskyism," establishment of a "terrorist regime" in the YCP, and the like. It contained an appeal to "healthy forces" of the YCP to replace the party leadership if it is unable to "honorably admit its mistakes and correct them."

Deepening of the conflict between the VKP(b) [All-Union Communist Party (of Bolsheviks)] and the YCP, and between the USSR and Yugoslavia, proceeded so far that in the second resolution of the Information Bureau (November 1949) the leadership of the country and the party was called the "Tito-Rankovich fascist espionage clique."

This sharp about-turn in Soviet-Yugoslav relations did not go down easily in our society. The Soviet people were well aware of the exploits of brave Yugoslav soldiers, and tens of thousands of warriors and commanders of the Red Army fought together with them to liberate Belgrade, Eastern Serbia and the voivode-controlled regions. Deep roots and thousands of threads tied the peoples of the two countries together, nurtured friendship, and then suddenly....

Forty plus years have passed since then. Relations between our states and parties have returned to normal. The world changed. And the events of the late 1940s continue to elicit keen interest. All the more so because the facts centering on historical events have been described with reference to Yugoslav and Western sources. We now have the possibility for also employing authoritative Soviet sources. Recently the USSR MID [Ministry of Foreign Affairs] revealed the existence of and declassified a number of archival documents pertaining to the onset of the conflict between the two countries and parties, between the leadership of the USSR and Yugoslavia, between Stalin and Tito. They have not yet been published in the Soviet press.

Our correspondent met with I. V. Bukharkin, an expert of the Historical-Diplomatic Directorate of the USSR MID, and asked him to respond to a number of questions.

#### **No Storm Warnings**

[Sharov] The history of Soviet-Yugoslav relations following the fatal year of 1948 has cast a shadow upon and dropped to the background all of the positive things which had been accumulated in the bilateral ties in 1945-1948. We might recall for example that one of the first treaties of friendship, mutual assistance and postwar cooperation with countries having assumed the

path of socialist development was signed by the USSR precisely with Yugoslavia, on 11 April 1945. Could you briefly describe Soviet-Yugoslav cooperation in the first three postwar years?

[Bukharkin] Communists in Yugoslavia assumed a firm grip on power before the other countries of Central and Southeastern Europe. The YCP implemented profound socioeconomic and political transformations, making use of the USSR's experience primarily. The first Yugoslav constitution was based on the state and legal norms of the USSR Constitution according to an admission of E. Kardel, one of the closest associates of Josip Broz Tito.

The YCP saw close comprehensive cooperation with the USSR, with the party of Soviet communists, as one of the main principles of socialist development in Yugoslavia. The Soviet Union invariably provided support to the new Yugoslavia, and defended its interests.

Close economic cooperation developed. In July 1947—that is, at the threshold of the conflict, agreements were signed obligating the USSR to deliver industrial equipment to Yugoslavia on credit (interest-free), and a two-year agreement on commodity turnover and payments was signed. Yugoslavia represented 34.8 percent of the USSR's foreign trade in 1947. Soviet advisers worked in civilian ministries and in the army.

In September 1947 an information conference of representatives of some communist parties, which founded the Information Bureau, was held in Poland. The YCP was at the head of the membership list. Belgrade was determined as the home of the Information Bureau. Publication of its press organ, "For a Firm Peace, For People's Democracy!", began there.

The USSR and Yugoslavia also cooperated closely in the international arena. They acted as a united front in matters of peaceful postwar development. The USSR provided all-out support to Yugoslavia's demands for arriving at a just territorial settlement, primarily with Italy and Austria. But the first inconsistencies in positions were already shaping up here, particularly on the Trieste issue, in which Tito, who felt the USSR's support to be insufficient, publicly expressed displeasure with this (though of course indirectly). To which J. V. Stalin responded with a strongly-worded telegram in which he regarded Tito's statement of 27 May 1945 as an attack unfriendly to the USSR.

While there was unity in the basic approaches to the urgent problem of a Balkan federation in late 1944 and early 1945, disagreements of a tactical order existed in regard to the timetable and pace of its creation, especially after the English government for practical purposes vetoed the idea's implementation until the signing of a peace treaty with Bulgaria.

The particular point in question was the nature of Yugoslavia's mutual relations with Bulgaria and

Albania. It must be said that the sides regularly consulted each other on these matters.

#### **This Perpetual Balkan Question**

[Sharov] Part of the declassified documents have to do with disagreements connected with Balkan affairs. It's a very great pity that we do not have space to publish them in their entirety. Could you briefly explain their content?

[Bukharkin] Let me begin with Stalin's personal message to Tito on 23 December 1947.

"In accordance with your proposal, Politburo member Zhdanov had two interviews with Comrade Popovich (the Yugoslavian ambassador in Moscow.—I. V.) on the Albania question. In view of the fact that new issues were revealed in the course of the interviews, we would like you to send an official to Moscow, perhaps Dzhilas or someone else who is the most informed concerning the situation in Albania. I am prepared to fulfill all of your wishes, but I need to know these wishes exactly.

"With comradely regards, J. Stalin."

The Albania question which J. Broz Tito offered to discuss was a consequence of the role played by the YCP during the war, providing the communist parties of other Balkan countries assistance and support in developing the partisan movement. In particular, in this case the topic of discussion was (I cite the briefing given by the Soviet ambassador) "moving the Yugoslav Second Proletarian Rifle Division to Albania." The decision was made "without the participation of the Soviet military advisors with the Yugoslav army." Troubled by England's possible reaction, the Soviet side entered into correspondence with the Yugoslav leadership.

Responding to instructions received from V. M. Molotov, our ambassador handed the following note to J. Broz Tito on 1 February 1948:

"Comrade Tito.

"It is evident from your discussion with Comrade Lavrentyev that you believe Yugoslavia, which has a treaty on mutual assistance with the USSR, is acting reasonably when it feels it possible not only to not consult with the USSR on sending its troops into Albania, but even to not inform the USSR of this in the appropriate manner. For your information, the Soviet government learned of the Yugoslav government's decision concerning sending your troops into Albania entirely by accident from certain discussions of Soviet representatives with Albanian workers. The USSR feels this to be an abnormal way of doing things. But if you feel that this is the normal way of doing things, then I am instructed by the Government of the USSR to announce that the USSR cannot consent to being presented with a *fait accompli*. And of course, it is understandable that the USSR, being an ally of Yugoslavia, cannot bear responsibility for the consequences of such actions, taken by the Yugoslav government without consultation and even

without the awareness of the Soviet government. Comrade Lavrentyev informed us that you have postponed the transfer of Yugoslav troops into Albania, which is something we have taken under advisement. However, as you can see, serious difference exist between our governments in our understanding of mutual relations between our countries, which are connected together by relations of allies. To avoid misunderstandings, these differences need to be reconciled in one way or another."

[Sharov] Consider how the document is written! It has a commanding, authoritarian style, and Stalin does not conceal his irritation with J. Tito. What can explain this abrupt metamorphosis—after all, Stalin was extremely gracious and loyal in his 23 December 1947 message?

[Bukharkin] It would be pertinent to say here that the information that flowed at that time from Belgrade was, mildly speaking, not always distinguished by objectivity.

Following the arrival of Soviet Ambassador A. I. Lavrentyev, the embassy began reporting more and more often on symptoms of headiness resulting from the successes of the Yugoslav leadership, and on development and cultivation of voluntaristic tendencies. In his political report for 1946 A. I. Lavrentyev wrote that "cases exist in which tendencies for local nationalism are being manifested, expressing themselves in particular: a) as underscoring the importance of the Yugoslav partisan movement in the country's liberation, thus belittling the Soviet Union's role in this liberation; b) as excessive underscoring of the peculiarities of local conditions, in which the experience of the Soviet Union and the experience of our army supposedly cannot always be applied successfully." In the ambassador's opinion, "this meant that there obviously exists a gross misunderstanding of the significance of the political and moral influence the Soviet Union exerted upon the entire course of the liberation movement in Yugoslavia."

After that, the messages from Belgrade began to acquire an increasingly more acute and accusatory nature. Commenting on J. Broz Tito's speech to the Second Congress of the Yugoslav People's Front on 27 September 1947, the ambassador pointed out that "...Tito uttered not a single word about the assistance the Soviet Union rendered to Yugoslavia in this struggle, or about its influence upon the entire course of the liberation struggle, even though it is perfectly clear that Yugoslavia was liberated by the Soviet Army and that the Soviet Union played the decisive role as a foreign political factor in the process of Yugoslavia's reestablishment.... All of these silences are obviously the product of the fact that Tito views the process of Yugoslavia's liberation and the process of the country's socioeconomic transformation only from local nationalistic positions, thus falling into nationalistic narrowness." A. I. Lavrentyev went on to write: "Might you not consider it possible to express the critical remarks concerning Tito's report officially to the Yugoslav Communist Party representative in Moscow?"

On 31 December 1947 the ambassador sent a selection of materials including a copy of Tito's orders on the occasion of the sixth anniversary of the Yugoslav army and in connection with the missions imposed on the army for 1947-1948, his speech to a Guards formation, and Colonel General K. Popovich's report "Tito—Organizer of the Victories of the War of People's Liberation." In a special telegram dated 8 January 1948 A. I. Lavrentyev commented as follows on the transmitted materials:

"1. The significance of the Yugoslav partisan movement is exaggerated in all statements.

"2. When the significance of the military experience of the liberation movement is defined, Soviet military science and the experience of the Soviet Army in the Great Patriotic War are not recognized without reservations to be the fundamental law of subsequent development of Yugoslav armed forces....

"4. It is known that it was precisely Comrade Stalin who appealed for the development of a partisan armed struggle during the occupation, and who substantiated the need for and the importance of this struggle. Elevation of Marshal Tito by Popovich to the rank of the prominent military theoreticians is nothing more than simple servility before Tito, who obviously takes this servility to be a real assessment of his military qualities....

"5. I believe that all of this is occurring owing to the weak theoretical and, in particular, military training of the leaders of the Yugoslav army, and owing to the presence of a certain nationalistic narrowness, the manifestations of which I had already communicated earlier. Nor is there any doubt that Marshal Tito's self-glorification as a leader also had an influence on these documents."

[Sharov] It comes to me that an attempt is made in the document you cited to evoke Stalin's personal hatred of Tito. Judge for yourself: Following the war there was only one leader in the fraternal countries who might have been an equal to Stalin in positions and titles. This was Tito. As with Stalin, he headed the party and the government, he was the supreme commander-in-chief, and finally, he was a marshal. Moreover even their names were similar—Joseph and Josip. It seems to me that the messages and telegrams from our ambassador in Belgrade might have stirred Stalin's well-known suspiciousness and jealousy.

[Bukharkin] I agree with this assessment, though as you know, it can't be confirmed with documents. But let's go on.

The position of the ambassador was shared by the military attache attached to the USSR embassy in Yugoslavia, Major General Sidorovich. On 10 January 1948 he sent the same collection of materials to Army General Antonov. The general reported that the experience of the Soviet Army was not being recognized without reservations as the basic law of the subsequent development of



the Yugoslav armed forces. In Yugoslavia, he emphasized, "Soviet Stalinist military doctrine and the experience of the Soviet Army, which are the sole correct scientific theory and experience for all democratic armies, must be accepted unquestioningly."

The military attache proposed in particular "pointing out these mistakes in the manner of an exchange of experience of several communist parties through the Information Bureau." He also proposed conducting "a critique of these mistakes" in a discussion with the military delegation from Yugoslavia (M. Dzhilas, K. Popovich, S. Vukmanovich and others) traveling to Moscow in the second third of January 1948. This report from the military attache and the collection of materials were submitted to J. V. Stalin by USSR Minister of Armed Forces N. A. Bulganin, and on 17 March 1948 a copy of the report was sent to V. M. Molotov as well.

[Sharov] But let's return to 1948. What was in the Soviet ambassador's message concerning fulfillment of the instructions given to him?

[Bukharkin] On 1 February 1948 the ambassador reported the following:

"Today I handed your telegram to Tito. After reading the telegram twice, Tito exhibited extreme agitation, and he said that he had not expected that the Soviet government would attach such great significance to this matter. He admits that he made a mistake, that he should have initially sought the advice of the Soviet government, and that he would henceforth seek such advice in foreign policy matters. He understands that reactionary forces will lay the responsibility for such incorrect foreign policy steps upon the Soviet Union. The Yugoslav division will not be sent to Albania...."

During the meeting the ambassador noted that cases had occurred even earlier "in which the Yugoslav government acted without the awareness of the Soviet government. For example last year the Yugoslav government signed a treaty on cooperation with Bulgaria not only without consulting with the Soviet government but even contrary to its recommendation not to sign this treaty until such time that a peace treaty with Bulgaria went into force.

"And Tito said nothing in reply to this."

In response, urgent instructions from Molotov to transmit the following message to Tito followed on 2 February:

"I feel that you and I have serious disagreements in foreign policy matters. In view of the tension of the international situation I feel it necessary to eliminate these difference by establishing an exchange of opinions at an unofficial conference in Moscow. Please send two or three officials of the Yugoslav government to Moscow for an exchange of opinions.

"Representatives of the Bulgarian government have also been invited.

"The schedule of arrival is not later than 8-10 February.

"Please communicate your opinion. Molotov."

E. Kardel and V. Bakarich (the Croatian prime minister) left for this conference on 3 February. In Moscow they were joined by M. Dzhilas, who was present here as the head of the military delegation.

There are no documents concerning the content of the negotiations in archival materials of the USSR MID. On 10 February J. Stalin informally received E. Kardel, M. Dzhilas and V. Bakarich, as well as the Bulgarian delegation, headed by G. Dimitrov. V. Molotov informed A. Lavrentyev on 13 February 1948 that "as a result of an exchange of opinions on 11 February, on the basis of obligations adopted by treaty on 11 April 1945, the Soviet and Yugoslav governments have agreed to accept the obligation to consult with each other on all international issues affecting the interests of both countries....

"A similar protocol with Bulgaria was signed on 11 February as well.

"The protocols are not subject to publication."

According to many Yugoslav sources the issue of a Balkan federation was also touched upon at this meeting. The idea of a federation, traditional to the revolutionary movement in the Balkans, had been shared by the Comintern in its time, and it was viewed by it as a means of resolving national conflicts between the Balkan peoples. Under the conditions that evolved following World War II, when a people's democratic structure was established in a number of Balkan countries, real prospects for achieving this goal arose in the opinion of the leadership of the YCP.

In late 1944 and early 1947 the Yugoslav leadership offered a plan to the leadership of the Bulgarian Communist Party to create a federation of Southern Slavs by uniting Yugoslavia and Bulgaria. Following a number of discussions this plan was reflected in a Yugoslav-Bulgarian pact, signed 1 August 1947 in Yugoslavia at Lake Bled. On 12 August 1947 the Soviet ambassador in Belgrade received instructions to give the Yugoslav side a telegram from Stalin addressed to Tito. The USSR government reproached the leadership of Yugoslavia and Bulgaria for its haste and for adopting important foreign policy decisions without consulting with the Soviet Union.

Ultimately the idea of creating a Balkan federation never was realized. But the cracks in relations between the USSR and Yugoslavia deepened.

### March Was the Turning Point

[Sharov] How did events develop after that?

[Bukharkin] March became the turning point in the direction of worsening interparty and subsequently interstate Soviet-Yugoslav relations. A. I. Lavrentyev

communicated that a meeting of the YCP Central Committee was held on 1 March in which the following matters were discussed: political and economic relations with the Soviet Union; Yugoslavia's five-year plan; a federation with Bulgaria; the Yugoslav army.

According to his report, J. Broz Tito, who spoke on the first issue, said that "development of relations between the Soviet Union and Yugoslavia has reached a dead end." In Lavrentyev's words Tito went on to say "that the Soviet Union wants to capture Yugoslavia economically," that "differences in ideology exist" between Yugoslavia and the Soviet Union, and moreover that "Yugoslavs explain communist ideology correctly" while the USSR is displaying "great-power chauvinism." The participants of the meeting, once again as reported by Lavrentyev, asserted that "the USSR is an obstacle to development of the international revolution," that "the USSR is undergoing degeneration," that "the Communist Information Bureau is a means of seizing other parties" and so on. Let me cite another couple of lines from this communication from the Soviet ambassador, with reference to prewar sources:

"In the first matter Tito declared in summary that:

- "a) Yugoslavia will develop along its own path;
- "b) relations with the Soviet Union must remain unchanged;
- "c) in international matters, Yugoslavia will act in unity, and it will assist the Soviet Union...."

On 9 March 1948 he communicated additional information on the situation in the YCP and the country. His letter of information contains the following lines: "Were the matter of relations with the USSR to be put up for open discussion in the party, the overwhelming majority of the party would vote against Tito...."

The extensive information coming from the Soviet ambassador in Belgrade in March 1948 was saturated with details, and sometimes with conclusions, most of which were at the basis of the first letter of accusation addressed to the YCP Central Committee and the first resolution of the Information Bureau dated 28 June 1948.

[Sharov] Are you referring to the letter of the VKP(b) Central Committee dated 27 March 1948?

[Bukharkin] Yes. I have gotten a little ahead of myself. In the meantime events continued to occur in March. On 9 March the ambassador communicated a decision of the Yugoslav government prohibiting "state organs and institutions from providing economic materials to anyone."

On 18 March V. M. Molotov instructed the Soviet ambassador to transmit the following message to J. Broz Tito or E. Kardel in connection with the ban on providing Soviet organs with information on economic matters:

"...We were astounded by this communication, since we have an agreement for unhindered acquisition of such information by Soviet government organs. This astounded us all the more so because Yugoslav government organs are implementing this measure unilaterally, without any kind of warning or explanation. The Soviet government views such actions by the Yugoslav government as an act of mistrust toward Soviet workers in Yugoslavia, and as a manifestation of unfriendliness in relations with the USSR.

"Understandably in the presence of such mistrust toward Soviet workers in Yugoslavia, the latter cannot assume themselves to be guaranteed against similar unfriendly acts on the part of Yugoslav organs.

"In view of this, the Soviet government has given instructions to the ministers of ferrous metallurgy, non-ferrous metallurgy, chemical industry, electric power plants, communications and public health to immediately recall all of their specialists and workers back to the USSR."

A decision to recall military specialists was made on the following day.

On 27 March V. M. Molotov communicated to our ambassador: "On 29 March my assistant Lavrov will take a scheduled flight to Belgrade with a letter which you are to immediately deliver to the addressee." He was referring to the above-mentioned 27 March 1948 letter of the VKP(b) Central Committee addressed to the YCP Central Committee, which initiated correspondence between the central committees of the communist parties of both countries, something that acquired an increasingly more acute nature with every letter.

The 27 March letter of the VKP(b) Central Committee accused YCP leaders of anti-Soviet sentiments, of departing from a correct Marxist-Leninist line in their internal policy, of gross mistakes of an opportunistic nature, of denying the growth of capitalist elements in the country, of concealing the class struggle in the countryside, of spreading "the rotted opportunistic theory of peaceful convergence of capitalist elements with socialism, borrowed from Bernshteyn, Folmar and Bukharin," of revising the Marxist-Leninist teaching on the party, of dissolving the YCP in the People's Front, of failing to provide for intraparty democracy, and of maintaining the party in what was for practical purposes a partially legal status. It was directly asserted that First Deputy Minister of Foreign Affairs V. Velebit was an English spy, and that "Yugoslav comrades, who know of this," and who know that "the Soviet government also feels him to be an English spy," were indulging him.

On 13 April the Soviet ambassador, citing dependable sources, communicated on the YCP Central Committee Plenum held on 12 April. The plenum discussed the letter of the VKP(b) Central Committee and approved a responding message. Speaking at the meeting, Tito said that the letter from the VKP(b) Central Committee "is based on false information and is insulting to the YCP."

In the version of the 4 May VKP(b) Central Committee letter published by the Yugoslav side, the accusations stated earlier were repeated and expanded in sharper form. The arguments offered by the Yugoslav side in its defense were deemed to be unsatisfactory and out of touch with reality. In addition to this the Yugoslav government was accused of drawing a parallel between the policy of the Soviet Union and that of imperialist states. At the same time references were made in a rough tone to excessive conceit on the part of Yugoslav leaders. This time besides V. Velebit, Leontich, the Yugoslav ambassador in London, and three unnamed embassy associates were also referred to as English spies.

The letter brought to the awareness of the Yugoslav side that if the position of the YCP Central Committee were to remain unchanged, it would have a negative effect on the party's position in the international arena, inasmuch as the Soviet Union could provide assistance only to friends.

The letter ended with refusal of the VKP(b) Central Committee to send its representatives to Yugoslavia for familiarization with the local state of affairs. The Soviet side communicated that it suggested discussing this problem at a meeting of the Information Bureau.

In response Tito and Kardel wrote on 17 May:

"To comrades J. V. Stalin and V. M. Molotov.

"We received your letter of 4 May 1948. There is no need to write how grave an impression this letter made upon us. It convinced us that all of our arguments, and even fact that all accusations against us are the result of wrong information, are for naught.

"We do not shy away from criticism on fundamental issues, but in all of this affair we feel our rights to be so unequal that we cannot agree to resolve this matter before the Information Bureau....

"We wish to put this matter to rest in such a way that we could truly prove that the accusations against us are unjust—that is, we will stubbornly build socialism and we will remain faithful to the Soviet Union, we will remain faithful to the teaching of Marx, Engels, Lenin and Stalin."

Let me recall that this is a translation of the text by the Yugoslav side.

In letters dated 18 and 19 June the sides discussed the fate of former finance minister S. Zhuyovich and former light industry minister A. Khebrang, who had been arrested and were presently under investigation. The VKP(b) Central Committee demanded "that the matter of Khebrang and Zhuyovich providing so-called wrong information to the VKP(b) Central Committee be examined with the participation of representatives of the VKP(b) Central Committee." In the event that Khebrang and Zhuyovich were physically liquidated, "the VKP(b) Central Committee would feel the Politburo of the YCP Central Committee to be criminal murderers."

A conference of the Information Bureau put an end to the correspondence between the two central committees. According to a letter of information from A. I. Lavrentyev dated 29 June, at 2000 hours "all radio stations broadcast the 29 June declaration of the YCP Central Committee Plenum concerning the Information Bureau's resolution on the status of the Yugoslav Communist Party.

"The declaration completely rejected the resolution of the Information Bureau and offered justifications for the line taken by the YCP Central Committee.

"In addition the following documents were transmitted in the declaration:

"1. A letter to the Information Bureau from the YCP Central Committee on the reasons why the YCP Central Committee refused to participate in the Information Bureau conference.

"2. An appeal by the YCP Central Committee to all party members explaining the decision of the Central Committee Politburo to expel Khebrang and Zhuyovich from the party.

"3. The conclusion of a party commission on the case of Khebrang and Zhuyovich.

"4. The 19 April 1948 decision of the YCP Central Committee Politburo on Khebrang's letter."

[Sharov] When I read from today's high vantage point the information materials coming to Moscow from the Soviet embassy in those dramatic days and months, I cannot dispel the sensation that sometimes our ambassador was betrayed by a sense of measure, by a sense of realism in his assessments and conclusions.

[Bukharkin] Yes, this did occur. Once the ambassador made far-reaching political conclusions from the fact that Yugoslav newspapers made no mention of the 80th anniversary of M. Gorky's birth. V. M. Molotov replied to this piece of information in his next telegram dated 9 May 1948:

"You are now tending to exaggerate some secondary facts in Yugoslav affairs. However, you shouldn't fall into onesidedness, or begin inflating things which would be better perceived with an ironical than with a serious tone."

### A Break in Relations

[Sharov] Almost a year and a half passed between adoption of the first and second resolutions of the Information Bureau. This was a period in which contacts were broken step by step, and mutual accusations increased in degree, until such time that a final break in relations occurred. What new things can we learn from archival documents?

[Bukharkin] There are for example materials revealing the course of trade negotiations. They ended with the

signing of a protocol on mutual deliveries of goods in 1949, foreseeing an eightfold reduction in commodity turnover between our countries in comparison with 1948.

There was interesting correspondence concerning the "Informbyurovtsy"—Yugoslav communists voicing support for resolutions of the Information Bureau.

Decisions of the first session of the Council for Economic Mutual Assistance (26-28 April 1949) helped to aggravate relations. In particular the matter of relations with Yugoslavia was examined and the following resolution was adopted at the meeting:

"In view of the hostile policy conducted by the government of Yugoslavia in relations with countries of people's democracy and the USSR, the Council of Economic Mutual Assistance deems it necessary to implement the following measures henceforth, until this hostile policy ceases:

"1. To recommend to members of the Council to reexamine their relations with Yugoslavia in economic matters with the purpose of:

"a) providing no more loans of any kind to Yugoslavia, and ceasing all deliveries to Yugoslavia based on credit agreements signed with it earlier;

"b) limiting trade with Yugoslavia to purchases of only the most important types of strategic raw materials, to include: lead and lead concentrates, zinc and zinc concentrates, copper and mercury and, in limited quantities, iron ore, timber, hemp and pyrites;

"c) seriously reducing sale and delivery of goods to Yugoslavia that are scarce in countries belonging to the Council, as well as heavy industrial equipment and goods having military significance, and halting deliveries of armaments to Yugoslavia;

"d) providing no more technical assistance to Yugoslavia of any kind from countries belonging to the Council.

"2. Utilization of transit services through Yugoslavia by Council members is to be deemed unsuitable.

"3. Reports from Council members on fulfillment of this decision are to be given at the Council's next meeting."

The mutual accusations grew like a snowball. The sides no longer minced their words. We read in a note from the Soviet government dated 10 August 1949: "Let the people of Yugoslavia know that the Soviet government views the present government of Yugoslavia not as a friend and an ally, but as a foe and an adversary of the Soviet Union."

The situation grew hotter, and mutual reproaches concerning espionage activity attained such a level that the Soviet embassy received instructions from Moscow on 15 September 1949 to prohibit all associates of the USSR

embassy and of the consulates in Zagreb and Split from walking alone at night in the city. This ban applied equally so to associates of all other Soviet institutions and representative bodies, as well as to the families of associates of the indicated USSR institutions in Yugoslavia, "considering the hostile activities of the Yugoslav government in relation to the Soviet Union, and particularly the attempts to employ blackmail and violence against Soviet citizens as a means of recruitment for espionage purposes."

On 28 September 1949 a note was handed to the Yugoslav *charge d'affaires* in Moscow, the contents of which were immediately published. It declared in particular:

"...The Treaty on Friendship, Mutual Assistance and Postwar Cooperation Between the USSR and Yugoslavia signed on 11 April 1945 has been roughly trampled and shredded by the present Yugoslav government.

"On the basis of the above, the Soviet government declares that the Soviet Union henceforth feels itself to be free of the obligations ensuing from this treaty.

"On instructions from the USSR Government, Deputy Minister of Foreign Affairs A. Gromyko.

An event that caused the final break in the relations with Yugoslavia occurred in November 1949: The Information Bureau adopted its second resolution in Budapest, "The Yugoslav Communist Party in the Power of Murderers and Spies." It was published in PRAVDA on 29 November 1949, on Yugoslavia's national holiday.

The situation changed fundamentally. The YCP leadership abandoned its somewhat defensive position and initiated an extensive campaign against the Soviet Union and countries of people's democracy and the communist movement. Normal diplomatic relations between socialist countries and Yugoslavia were curtailed for practical purposes, and tension accompanied by military demonstrations and isolated armed conflicts arose on Yugoslavia's borders with neighboring people's democratic states. Sharp, hostile collisions occurred continuously in the United Nations between the Yugoslav delegation and the delegations of other socialist countries. All economic ties of the USSR and countries of people's democracy with Yugoslavia were conclusively broken in 1950.

[Sharov] The return to normal Soviet-Yugoslav relations was long and hard. The last "rough spots" were smoothed over during M. S. Gorbachev's visit to this country in March 1988. What lessons are we, the Soviet people, learning from this difficult past?

[Bukharkin] Real progress may be achieved on the path of truly equal cooperation. Cleansing our mutual relations of all that violates sovereignty and the free choice of nations, we will acquire a new unity.

**Yugoslav Unions Acquire Political Clout***90UI0350A Moscow TRUD in Russian 7 Jan 90 p 3*

[Article by TRUD staff correspondent A. Poroshin:  
"Between a Rock and a Hard Place"]

[Text] Alternative currents are appearing on an ever larger scale and ever more daringly on the Yugoslav political scene. I cannot name a single republic or autonomous kray in which fighters for a new Yugoslavia, built on multiparty principles, have not announced themselves. They all have their own programs, far-reaching goals, and ambitions. Some are openly declaring the urgent necessity to deny the League of Communists of Yugoslavia (LCY) an exclusive position in society. Others are presenting themselves as participants with equal rights in a parliamentary struggle. Still others are operating from right-wing positions and striving to split Yugoslavia on an ethnic basis; they are propagating an ideology of violence and hatred.

The "Croatian Democratic Union" has put forward an extremely aggressive nationalist program, for example, and is practically operating outside the law. Very similar to this group in spirit is the recently established organization "Serbian People's Renewal" whose chief aim is to redraw the boundaries of the republics. The "Ljubljana Scorpions," embodied in the "Slovene Republic Army," threaten open armed conflict.

Whatever the near and long-term goals of these informal organizations, they are all worried about one thing currently—recruiting the greatest possible number of like-minded individuals into their ranks. In pursuing this effort, it is quite natural for activists of these newly created organizations and parties to turn their gaze towards the country's working class. It would be impossible to expect any kind of significant success without the mass support of the workers.

We cannot say that the country's trade unions are not disturbed by new currents in the internal political scene. They find themselves at the threshold of fundamental reforms which envisage their complete independence and professional autonomy. Insisting on this autonomy, trade union members are demanding full detachment from state-party organs, sociopolitical organizations, and employers. In other words, Yugoslavia's trade unions want to become organizations outside the party and state. There are no doubts in this regard at any level. But how do you implement it in practical terms?!

Fencing themselves off from party influence, trade unions will not be able to function in a political vacuum. The multiparty system precludes this possibility. Even if we consider joint participation with workers in a strike—this is in and of itself a political act. The trade unions can quickly become easy prey of any of the political parties using strikes to further their own mercenary aims. Under conditions of pluralism, the unions will be greatly

tempted to resort to one party or another for assistance in influencing representatives of the authorities, and the other way around.

B. Kelava, council member of the Social-Liberal Union of Croatia, declared unequivocally, for example, in this regard:

"In the new party environment, every party will be attempting to influence the trade unions. And these parties will implement a portion of their political programs with trade union help."

Thus, while still not entirely free of the influence of the LCY, the trade unions are already coming into the field of view of other political forces. The trade union press is beginning to sound the alarm, although still somewhat timidly, warning the trade unions of the danger of falling between a rock and a hard place.

But this is not the most frightening thing in my view. In the final analysis, there is not a single country in the world in which trade unions do not participate in political games. Yugoslavia is just taking its first small step in the direction of a pluralistic society. It is clear that under these new conditions the political activity of the party will be especially strong around the workers.

The struggle for the working class in Yugoslavia has already begun. It is noteworthy that alternative movements have chosen the weakest link, focusing the attention of the workers on unresolved social problems. This is a very attractive theme in gaining popularity. A few formations are insisting on the cessation of any political activity among workers at enterprises. Informals are demanding that primary organizations of the LCY in industry be eliminated.

This is not only an attempt to deny the LCY support among the workers. It also involves a striving to split the working class apart, restrict its interests to purely social problems, and divide it up along ethnic or republic lines. Playing on the social needs of the working class, informal associations are stipulating for themselves—and only themselves—the right of political struggle.

Here we see a depolitization which threatens the Yugoslav working class. Leaders of the new movements are apparently counting on the prospect of a working class, deprived of political orientation, following where they lead them.

In this sense, an article from the Croatian trade union newspaper RADNICHKE NOVINE shows a typical approach. Its article "Trade Unions Between Parties" states: "We are not opposed to pluralism in thinking or to new political programs. But what they have been trying to throw us up until now in the guise of democratic renewal and expanded democratic freedom, that which recently created political parties in Croatia and Serbia are offering us, has nothing in common with democracy. The working class itself is in a position to make political choices in its own behalf."

Unfortunately, this choice is not always correct. Quite a number of instances can be cited in which the working ranks of regions of Yugoslavia (Kosovo in particular) marched to the beat of their "ideological leaders," whose chief aim consisted of delivering an appreciable blow to the unity of peoples and the integrity of Yugoslavia. It cannot be ruled out that manipulation of the working class will become

more imposing in scope as the political struggle intensifies during the formation of a multiparty system.

A great deal in the new situation will depend on the position of the trade unions, on their genuine independence and complete adherence to the interests of the country's working class.

**Chile's President-Elect Aylwin Profiled**

90UI0447A Moscow LITERATURNAYA GAZETA  
in Russian No 11, 14 Mar 90 p 15

[Article by Irina Khuzemi: "Smile of the President—A Political Portrait"]

[Text] On 11 March the man who had been democratically elected to head the Government of Chile entered the La Moneda Palace.

**Nice Fellow from San Bernardo**

"Patricio Aylwin is too nice a fellow to be President."

I heard this paradoxical opinion expressed in Santiago during the October 1988 days of exultation when the further rule of the military junta headed by Pinochet was voted down in a national plebiscite. At that time debates were raging in the inner sanctums of the opposition parties about nominating a single candidate to run for President. The name of the leader of the Christian Democratic Party, Patricio Aylwin, who was heading the campaign of organized resistance to Pinochet in the plebiscite, was first on the list of potential candidates. In the press he was being named as "the principal official to enter the political arena of Chile in the last 20 years." The progressive Chilean newspaper EPOKA stated: "After such a long career in party politics, Aylwin deserves the trophy: He knows how to reach his goal."

Had the concepts of "power" and "inhumanity" become so intermingled in the minds of the Chileans after years of military rule that Patricio Aylwin was really thought of as too nice and too weak to stand up for his convictions?

Any doubts on this score were dispelled during the very first encounter with Aylwin. It took place at the headquarters of the United Democratic Organizations, situated on the main street of Santiago, Avenida Bernardo O'Higgins. It was late at night, and shortly after the junta, without waiting for the tally of the votes to be completed, had hurriedly announced publicly Pinochet's victory in the plebiscite. Into the hall strode a man whose face was contorted with rage. He gripped the microphone and shouted that the military had resorted to forgery and that their nefarious designs must be halted. He called on the international press for assistance. In those critical moments, Patricio Aylwin revealed that he was ready to fight to the finish, and the fate of Chile was sealed.

Never again would the opportunity present itself to see on his face such an expression of desperate resolve and fury. This is a fellow who seemingly was born with a smile on his face, and he has not lost it over the years. The little boy in the photograph of the family album and the solid citizen and political activist in the posters and inside the magazine covers smile in the same way, trustingly and transparently. "My smile displeases many people," he himself says, "since it expresses confidence and optimism."

It is possible that such features are not up-to-date and may even seem old-fashioned. Generally, he is traditional in his approach, whereas younger and more importunate men, in place of the imposing politicians in the European mold, are coming to power in neighboring countries—people on familiar terms with the public at large who are generous with their promises. But there is nothing modern that is alien to him—in the whims of fashion, the risk of sport, or the turn of fate. And a chorus of women surround him.

He is now over 70 years of age. A man with one woman in his life, he fell in love with his wife as a student and has lived with her in harmony for more than a half century. They now have 5 children and 11 grandchildren. It is said of the Aylwin family that they are like corn on the cob. They are inseparable, spending holidays and birthdays together and every Sunday at home with the whole family assembled at meals in the manner of the Italians. When his wife Eleonora was asked what the years they had spent together were like, her reply was: "Simply tremendous."

Even in his choice of recreational activities, "Don Pato," as his friends and neighbors call him, is old-fashioned. His favorite book is *The Outcasts* [Otvzhenyye], which he read in childhood with his father. Among composers his preference is for Beethoven and Mozart. His favorite motion picture hero is Chaplin, whose films he watches in a jolly company of grandchildren.

He prefers walking on foot to all other types of sport, especially along the beach hand in hand with children, and now with his grandchildren, in Algarrobo on the Pacific Coast where the Aylwin house is in an area of summer homes. They go to the seashore only at the end of the season when the beach is deserted. A passion for long hikes and for solitude was bequeathed to him by his father, a lawyer, whose service included the high post of President of the Supreme Court. Patricio spent the best times of his early youth in the city of San Bernardo among the fruit trees of an immense park with a rose garden where his father used to take walks.

There were five children in the family of which Patricio was the eldest. All four of his brothers followed in the steps of his father by entering the law. All the brothers were the heirs of firm family traditions and a love for the family homestead. The political as well as religious convictions of Patricio began to take shape in his childhood under the influence of his mother, a devout Catholic, and long conversations about social justice with his uncle, his mother's brother, the socialist senator Guillermo Asokar. From childhood Patricio believed in Divine Providence and the power of the Holy Spirit and would not miss Sunday Mass except in exceptional circumstances. He did not miss it even when he was being waited upon at a meeting on the occasion of his victory in the elections at O'Higgins Stadium in the nation's capital.

During his years as a law student at Catholic University in Santiago, Aylwin became associated with the socialists and advised his friends his close friends on the faculty to join the Socialist Party. Subsequently, one of them, Claudomiro Allmeda, who was to become minister of foreign affairs in the government of Allende, headed the Marxist wing of the party. Another of his friends, Carlos Altamirano, during the years of the Popular Unity Movement was secretary of the Socialist Party. Patricio Aylwin himself did not join the Socialist Party because of his Catholic beliefs. He became a socialist Christian, joining the National Falangists, and later became one of the founders of the Christian Democratic Party. He soon became party chairman, and served in that elected post for seven years.

### The Question of Allegiance

Since the announcement of his candidacy for the office of President, neither his public press conferences or many private interviews have managed to avoid confronting the question of his personal allegiance and the role he played in the fate of Salvador Allende. Obviously, this question is not very pleasant. Nevertheless, he considers it his duty to respond to it—reservedly but sincerely.

It was the historical lot of Aylwin to play a critical role in Allende's career twice in his life. But it was the second time that was to prove fateful.

It is common knowledge that in the presidential elections of 1970 Salvador Allende amassed the necessary majority of votes to become President automatically. In all he beat the representative of the Right Wing forces by one and a half percent of the votes cast. It was then up to the national Congress to make the choice between these two candidates. The pressure from the Right was so strong that preference might have been given to their representative, save for the fact that at that moment Salvador Allende had the support of the Christian Democratic Party headed by Patricio Aylwin. Moreover, Aylwin was president of the Senate—that is, the second-ranking man in the government. A document prepared at the time with his participation and signed by him stated that "the program of the Christian Democrats in many respects coincides with that of Allende, although in many other respects it differs from it."

This document formed the basis of agreement between the National Unity faction and the Christian Democrats, and Salvador Allende became President. Subsequent discussions, however, failed to reconcile the differences between them. When the confrontation between the National Unity faction and the opposition reached its apogee in the summer of 1973, a group of private enterprise industrialists approached Patricio Aylwin with a far-reaching proposal. "You are the head of the leading opposition political party," said one of them. "We have come here to say that we do not see any constitutional way out of the situation that has developed and to ask your party to request the military to

intervene." "Gentlemen," said Aylwin, "you have made a mistake in coming here. What right do you have to think that the fundamental democratic party in the country will help to carry out a decision of that kind?" At that point he broke off the discussion.

It was after this discussion that the industrialists turned directly to the military themselves.

"I thought they would fail in their efforts, and that the military would refuse to listen to them. Probably, we were overly naive," recalls Aylwin. "At that time conditions giving rise to a national psychosis were gaining in strength. A revolution was expected from the other direction—from the militia or armed groups which were in operation everywhere. We talked a good deal about this with General Prats. The impression was prevalent that at any moment what we called a Prague revolt might occur—that is, the establishment of a dictatorship of the Communist type."

In August 1973 the Christian Democratic Party concluded a pact with the Right-Wing Nationalist Party. In the agreement, which was worked out at the initiative of the Christian Democratic Party, Allende was declared, in effect, outlawed.

After the coup which occurred on 11 September, Patricio Aylwin expressed in the press his support; for he believed at the time that the military had intervened, in his own words, "not because they were seeking power but because the situation had reached the point where they had to do this." He added his belief that "as soon as they restore order in the country, they will return the power to the people."

This was one of his most tragic errors, but it was one that like all his convictions was no less sincere. A few days later, Aylwin was summoned to the Ministry of the Armed Forces, where the members of the military junta and Pinochet himself were waiting for him. Without so much as nodding to him on his arrival, Pinochet said to him in a menacingly impassive tone, "You they listen to, Aylwin." One of the generals then virtually threw in his face a letter in which a group of 13 members of the Christian Democratic Party denounced the military overthrow. Aylwin tried to explain that this was not the opinion shared by the party leadership. But no one listened to him.

At the end of September, the junta announced the discontinuation of the Christian Democratic Party. In October it closed down the radio station belonging to it, and began to intimidate and victimize prominent party members.

Aylwin, deprived of illusions, switched to opposing the regime. For several years he headed the underground activities of the Christian Democratic Party. He was one of the organizers of the acts of national disobedience in 1983. He participated in the establishment of the Association of Democratic Organizations, representing the



opposition in the plebiscite of 5 October 1988, and as head of this organization engineered the defeat of Pinochet.

When the question arose of nominating a single candidate to run for President from the opposition forces, there was no alternative to be found to the candidacy of Patricio Aylwin.

#### **A Seed Does Not Sprout Immediately**

Can it be that Patricio Aylwin crossed the threshold of the La Moneda Palace while Pinochet remained in charge? Could he extend his hand to his enemy, the dictator? And could he sit down with him to discuss the urgent problems of the day across the table?

These by no means idle questions have been agitating the minds of the Chileans.

An hour before the appointed time, the square in front of the La Moneda Palace was packed with people. Many of them had come with national flags. No sooner would some official or guard show up in one of the windows of the palace than there would be shouts from the crowd of "Chao! Chao!" (meaning that it was time to liberate the palace). Then when a car turned into the entrance circle and as Aylwin stepped out of it, gravely serious, and dressed in his official dark suit, the square took up the chant "Dale duro!" which means "give him what he deserves!" To the rattle of spurs and the click of heels of the Palace Honor Guard, Patricio Aylwin for the first time in 16 years entered the palace of which he was soon to be the man in charge.

Forcing himself, and preserving his severe expression, Aylwin nevertheless extended his hand. There was a fleeting, nervous smile on the face of Pinochet. The necessity of their meeting was dictated by the ambiguity of a situation in which the new President had already been elected, while the old one, voted into office a year earlier by a majority of the population, was still able to promulgate laws and appoint his own people to the leading positions. Pinochet, a cunning and far-sighted politician, had anticipated this situation and inserted in the Constitution a series of provisions, giving him the opportunity to retain power even after his departure from office. He had secured for himself a seat in the Senate for life and the right to remain in the role of commander-in-chief of the Armed Forces for eight more years. Moreover, two days after his defeat in the elections, Pinochet succeeded in making six new appointments to the Senate out of the number of people faithful to him (four out of the six were generals or admirals). In this way he preserved to a significant extent control over the activities of the Senate and the passage of laws under the new government. It was for the purpose of discussing these painful issues that their meeting had been arranged.

About one hour later, Aylwin came out of the palace to the square. The people waiting for him started to sing the national anthem. He told journalists that he considered

the meeting a positive one from the standpoint of seeking a peaceful, orderly transition to new forms of government that would be as painless as possible. Had he told Pinochet that it would not be desirable for him to remain as commander-in-chief of the armed forces? "I told him that I would abide respectfully by the Constitution and intended to manage affairs of state in accordance with its laws and regulations," responded Aylwin, "but that I considered it my duty to declare that it would be preferable for the sake of the country if he refrained from holding this post." And what did Pinochet say? "He responded by saying that the surest guarantee that the Chilean military would abide by the Constitution and preserve the power of the President in the future would be by his staying on as head of the Armed Forces."

Having told Pinochet to his face his personal point of view, Patricio Aylwin nevertheless is anxious not to exacerbate the situation. As a jurist brought up to respect the law, and as a middle-of-the-road politician, he believes that a country traumatized by 16 years of rampant military rule needs more than anything else a respite, providing an opportunity for as much peaceful development as possible. "It is our duty to forget hatred, offenses against one another, sectarianism, and ideological dissension, which have cut us off from reality," said Aylwin. "Let us always bear in mind that it was precisely these faults and failures that led us into the painful turmoil we went through and that they must never be allowed to return."

Are the moderate views of the new President agreeable to everyone in Chile? By no means to everyone. Attesting to this fact are not only the representatives of the party leadership who are in opposition to the military regime, but also the rank-and-file party activists, as we learned from a recent trip we made in the Chilean countryside. Many communists and socialists as well as Christian Democrats, who have been active in their opposition to the dictatorship, yearn for more radical change and more decisive action. Aylwin is frequently asked if he is not afraid that people will feel disillusioned if changes are not brought about rapidly enough.

"I am aware that the desire for change is great," he replies. "Without doubt there is a risk that people will feel disillusioned if changes are not brought about as rapidly as they would have liked. There is also a risk that the establishment of democracy will bring about a revolution of expectations, and that those whose needs have been overlooked in recent years will resort to pressure tactics to have their problems solved immediately. Whenever I have an opportunity to talk with people, I ask them: Do you suppose that everything is going to change very quickly? No, they say. And do you have enough patience? I ask them. Yes, they say. Because—I tell them—you are obliged to help me. A seed does not sprout immediately. It is necessary to wait and help to nurture it.

As one drives through the suburb of Providencia in Santiago accompanied by Chileans, past compound

walls neatly covered in greenery with brightly colored flowers in clusters, they will dutifully point to a neat red brick house in the English style, which in no way stands out from its surroundings, and say, "Here the President lives." And the tone with which this is said has a note of polite surprise at the fact that Aylwin has declined to leave this fairly modest home, in which he has lived for more than 30 years, and move to the luxurious residence of the President. In this house little has changed since its owner was elected as chief of state, except that new telephone lines and fax machines have been installed and security precautions have been taken around it. The domestic regimen remains the same. Aylwin, as usual, rises at 7 o'clock, and scans the papers with breakfast in bed. A customary after-dinner nap of a half hour or

so—less frequently, it is true, nowadays—gives him the endurance to work long into the night.

Impeccably neat and fresh in his appearance always, he now looks much younger than his years. In one respect he has made a concession to friends and advisers who convinced him not long ago that one's style of dress has an effect on voter sympathies. He then stopped wearing his normally severe attire in dark brown shades with a "grandfather" vest. Instead, he now wears tweeds that are gray or blue. His shoes and even the frames of his glasses are now in the latest fashion. Easily and simply, he has grown used to these changes. And he himself appears to have grown younger.

### Chinese Economic Reforms Analyzed

90UF0010A Moscow EKONOMICHESKIYE NAUKI  
in Russian No 2, Feb 90 pp 49-55

[Article by Professor Wu Zhenkun, head of the Political Economy Department of the Central Party School attached to the CPC Central Committee: "Reforms of the Economic System in China"]

[Text] Reforms of the economic system in China are being carried out under the leadership of Comrade Deng Xiaoping and follow the general line of the party substantiated at the Third Plenum, 11th Convocation, of the CPC Central Committee. The central task of economic construction under this line is the implementation of four modernizations. The line also assumes that the following four principles will be realized: a socialist path of development, a democratic dictatorship with the party playing the leading role, Marxism-Leninism and the ideas of Mao Zedong as a theoretical foundation, and the conduct of reforms and a policy of openness to the outside world.

Three stages may be distinguished in the reforms' development.

*The first stage* was from December 1978 (the Third Plenum, 11th Convocation, of the CPC Central Committee) to October 1984 (the Third Plenum, 12th Convocation). During this period efforts were concentrated chiefly on reforms in the countryside. Numerous experiments were conducted in the cities, with searches for measures to enliven enterprises' economic activity.

*In the second stage*—from October 1984 (the Third Plenum, 12th Convocation, of the CPC Central Committee) to October 1987 (the 13th CPC Congress)—comprehensive reforms in the cities were emphasized. The goal of these reforms was to further increase enterprises' viability. Reforms were extended in rural areas at the same time.

*The third stage* is still being continued. Reforms in the political system, in science and technology, education, and other areas of social life have been systematically spread step by step in this stage at the same time as economic reforms have been extended and expanded.

Appreciable inflation developed in the country in the second half of 1988, in connection with which the Third Plenum, 13th Convocation, of the CPC Central Committee, which was held in mid-September of this same year, adopted a policy of normalizing the economy and bringing about economic order. This policy, in accordance with the plenum's decisions, is to be carried out simultaneously with the basic line to reach a new stage in spreading the economic reforms.

The fact that reforms in the Chinese economic system went from the countryside to the cities is very important, and it attests to well-thought-out strategy in carrying out the reforms. The reforms in rural areas were called upon first of all to shape correct relationships between the

peasants and the collective economy: economic operation based on a family contract and the peasants' independence and industriousness were stimulated when collective ownership of the land was retained. Secondly, the problem of organizing new relationships between the peasants and the state was solved: when the regulating role of the state plan is maintained, the law of value is applied in these relationships and the principle of equivalent exchange is implemented.

Reforms in the cities were concentrated mainly on putting the economic interrelationships in two areas in order. Firstly, in relations between the state and enterprises that are the property of all the people. The responsibilities of state organs and the enterprises should be separate and the latter's independence should be extended. Gradually they will be turned into independently functioning cost accounting units—when they are regulated by state planning activity—which are engaged in socialist commodity production. Secondly, in relations between the enterprises and individual working people (workers and employees). It is important here that the working people become true masters at the enterprises so that the principle of distribution according to labor is not violated.

It becomes possible on this basis to carry out overall reforms in planning and material and technical supply, the financial system, price setting, the circulation of money, in foreign trade, and in the field of labor and wages. Everything enumerated also is part of the gradual restructuring of the economic mechanism and the movement toward a *socialist planned commodity economy*.

In following the 10-year path of reforms, the CPC and the government really became aware that the reform of a socialist economic system is a historically large-scale and complex systematized social project. Management of its implementation is based on the principle of businesslike generalization of Chinese experience and a selective approach to foreign experience. On the one hand, we are proceeding from the assumption that we cannot mechanically reproduce abstract dogmas in our activity, but on the other hand, it is unacceptable to mechanically adopt foreign models, especially Western ones. The correct path presupposes a search for the basic principles of Marxism and their creative application, carefully taking into consideration the actual economic situation in the PRC. Only in this way can the reforms be turned into a purposeful process of establishing a *socialist economic system with China's specific character*.

Let us examine this process in a little more detail.

**1. China is in the initial stage of socialism.** This concept, which was comprehensively substantiated by the 13th CPC Congress on the basis of thorough correlation of the entire historical experience of socialist construction, including the 10 years of experience in economic reforms, is the theoretical foundation for developing the reforms and working out an economic policy.

This concept stresses that with backward productive forces and the lack of development in its commodity economy, China inevitably must pass through a *special historical phase*. It covers the period from the beginning of the 1950's, when the socialist property reforms were basically completed, until socialist modernization is carried out completely in the future. This period will last for no less than 100 years, and as a whole is regarded as the initial stage of socialism.

In the course of the reforms, we have to maintain the socialist orientation of economic development, avoiding rightwing errors; secondly, we have to maintain the economic policy's strict conformity to the realities of the initial stage of socialism, without permitting leftwing "leaps" forward. Continuous movement ahead is made in the process of overcoming these two deviations.

**2. The overall objective of reforms in the economic system is to develop a socialist planned commodity economy on the basis of public property.** In the process of economic reforms, there should be an upsurge in public productive forces and a continuous increase in the extent to which the growing material and cultural demands of the masses are being met. It is well known that socialism's previous economic system was notable for the high degree of centralization and excessively stringent regulation. This hampered the development of a commodity economy and action by the law of value. In analyzing the flaws in such a system, the Third Plenum, 12th Convocation, of the CPC Central Committee pointed out that the socialist economy should be a planned commodity economy based on public property.

Introduction and development of a plurality of forms of property when public property plays the leading role, authorization to open individual private economic enterprises, admission of foreign capital, and the use of various forms of distribution when distribution according to labor is predominant, as well as a policy of openness—all this can be considered as a *supplement to socialism*, as a stimulus to the progress of public productive forces.

In our opinion, in order to establish a new system of socialist planned commodity economy, it is necessary to overcome the plan's traditional opposition to the market and to bring about their organic unity. The socialist planned commodity economy differs substantially from capitalism's market economy, which is completely regulated by the market. The difference is that they are based on different forms of property. In upholding the leading role of public property, we are applying planned and market regulation in order to promote the development of a socialist commodity economy.

Planning has been called upon to stimulate barter and provide for implementation of the law of value. It is necessary to form and develop the markets for consumer goods, the means of production, capital, science and technology, labor, land, information, and real estate (including housing). In creating and perfecting a socialist

market system, we have to reinforce control of the market and work out the rules and procedure for it to function. Let us stress once again in this connection: the plan and the market are not mutually exclusive, they are closely interrelated. Planned regulation cannot be identified with directive planning, but the use of market regulation is viewed as a capitalist method of economic operation. The state needs a combination of economic, legal, and administrative measures to regulate the functioning of the national economy so that the socialist economy is developed systematically and proportionately, on a sound basis. Of course, the extent to which each of these methods is applied depends on the part of the national economy, the sector, and the type of production and enterprise, as well as on the specific end product being turned out. In certain cases, a great deal of emphasis is put on planned regulation, but in others on market regulation; in different specific situations, preference may be given to both economic and administrative methods.

The success of the reforms depends to a large extent on how successful we are in bringing about unity between social justice and efficiency. Our experience shows that without efficiency, a socialist economy can lose its viability and energy and sink into stagnation. However, the absence of social justice is also capable of engendering a great number of new contradictions and can lead to social shocks. This is why in the course of the reforms, depending on specific circumstances, we have to continuously seek out and find a reasonable balance between justice and efficiency, between stability and dynamics.

In summing up, we can say that our socialist economy's transition from the traditional planned economic system to the new system of planned commodity economy is an extremely complicated and difficult task. The history of commodity economy based on private property is several thousand years old. But the combination of socialist public property with commodity production has just begun, and there has not been enough theoretical study or practical experience here yet. We are faced with a continued lengthy and intensive search and serious generalizations in the practice of developing reforms.

**3. The increased viability of enterprises which are the property of all the people, especially the large and medium-sized ones, is the central link in the overall reform of the economic system.** The people's enterprises are the main support for our economic system. The CPC and the government have always looked upon reinforcement of the viability of these enterprises as the central problem in the reform. A number of changes have been made in this connection. First of all, the functions of administrative organs and enterprises have been separated, the administrative structure has been reduced, and the enterprises' independence has been extended. Secondly, in conformity with the principle of the division of rights of ownership and economic operation, the economic mechanism of state enterprises has been reorganized (by introducing contracts, leasing, and other new

forms). Relationships between the owner, manager and producer have gradually been normalized on this basis. The right of economic operation has actually been transferred to the enterprises, which have gradually been becoming more and more independent and have been bearing the responsibility for profits and losses. At present more than 90 percent of the enterprises have introduced the contract system; this indicator is over 95 percent at the large and medium-sized enterprises. In addition, there is a competitive contract and a risk deposit in many cases, that is, competitiveness and the risk factor are being included in the system under consideration. Thirdly, economic management within the enterprises has been restructured: a system of responsibility for directors and managers has been organized for over 90 percent of the state enterprises. Fourthly, the process of hiring manpower and distributing it inside plants has been reformed. Since October 1986, labor agreements have been concluded at enterprises owned by the people with the newly employed workers and part of those who were already employed; at half of these enterprises, the size of the wage fund is linked with the economic efficiency of the collective's activity. By the end of 1989, there were more than 9.9 million persons working under labor agreements. At the same time, optimization of labor collectives has been conducted in an experimental procedure at more than 30,000 enterprises under the principle of rational distribution of production factors. Fifthly, horizontal ties have been developed between enterprises and their associations. There are already more than 10,000 organizations and over 1,500 associations of enterprises (including over 100 associations of large and medium-sized enterprises) with horizontal economic ties. And more than 3,400 unprofitable enterprises and ones operating at a loss have been absorbed by the leading enterprises in this process of organizing direct relationships, which has helped to put the structure of public production in order. Sixthly, an experiment was conducted at a certain few enterprises to introduce the joint stock form of economic operation, with public property retaining its leading role.

**4. Reform of the macroeconomic management system and a gradual shift from direct methods of management to indirect ones.** As already noted, overall reforms in planning, capital investment, material and technical supply, finances, monetary circulation, price setting, wages, foreign trade, and so forth, have been carried out in the initial restructuring of the mechanism of enterprises' economic operation in the PRC.

*Planning reform* has followed the line of further reduction in its directive nature. The range of industrial goods whose production was strictly regulated by the Gosplan has been reduced from 123 items to 60. The proportion of this output in the gross value of industrial production has been reduced from 40 to 20 percent. The number of items of material resources which were directly allocated by the Gosplan was reduced from 256 to 27, and the

number allocated by central departments (under a directive plan) was reduced from 316 to 45. In 1988, enterprises purchased two-thirds of their resources independently. The Gosplan, reorganized in 1988, reinforced indirect regulation and began shifting the center of gravity of its activity to the development of production policy and its implementation with the aid of a combination of economic levers.

*Investment regulation reform.* A system for managing the funds of budgetary capital investments was developed last year. Six special companies were established in accordance with the capital investments (power engineering, transport, raw material production, electrical engineering and the textile industry, agriculture, and light industry). In addition, regulation of the movement of nonbudget funds was strengthened.

*Material supply reform.* In 1988, the Ministry of Material Resources was formed and 15 sectorial ministries lost their functions of allocating and managing these resources. More than 1,300 markets for capital goods were created, and an experiment was conducted in certain cities to introduce a single price for planned and nonplanned resources and to compensate for the difference in planned and market prices.

*Financial system reform.* In order to optimize distributive relationships between the state and enterprises, the following steps were taken in succession: deductions from profit for the state have been replaced by a tax; a combined tax system has replaced the single commerce and industry tax; and taxes have been established for output, from turnover for value added, construction, and so forth. As already noted, the shift by enterprises to the contract system was begun everywhere in 1987.

With the aim of normalizing financial relationships between the center and localities, a system has been adopted which is characterized by the formulas "division of incomes and expenses, and a financial contract by levels" and "determination of expenditures and incomes, division of the types of taxes, and a contract by levels." This procedure, in simple terms, is "each person eats from his own stove." In order to prevent a drop in the center's financial incomes, a financial contract system was introduced in 1988 for the provinces and cities subordinate to the center, as well as for autonomous regions and cities included in the plan separately (37 administrative and territorial units altogether). In addition, the state tax administration was reorganized into a body directly subordinate to the State Council and the role of tax organs was reinforced.

*Monetary turnover reform.* In the course of carrying it out, the functions of banks for macrocontrol and regulation were strengthened and the monetary turnover system was renovated. Now the central bank is playing the leading role, but the state banks are the foundation. Since September 1988, interest rates for bank deposits have been increased twice, and guarantees have been established to maintain the real value of bank deposits

for a period of 3 years or more. A short-term credit market and a foreign currency operations market have been organized. A securities market has been established in certain large and medium-sized cities as an experiment.

*Price setting reform.* To begin with, the prices for agricultural products, raw material, and industrial consumer goods were put in good order. Free prices were also introduced for small-scale commodities, for agricultural products above the norm under state contracts, for above-plan raw material, and for some industrial consumer goods. A "twofold pricing system" (that is, planned and nonplanned prices) is in effect for a number of important industrial capital goods. Floating prices have been established for certain industrial consumer goods and output of the electronics industry. By the end of 1989, free market prices were introduced for more than half of the commodities; the remainder are regulated by the state plan.

*Foreign trade reform.* A system of responsibility for a foreign trade contract began to be applied everywhere in 1988. In addition, experiments were conducted in light industry and at enterprises manufacturing applied arts items and clothing, as well as certain large associations of automotive and electronics enterprises: the proportion of foreign exchange left for the enterprises was increased, their economic responsibility was broadened, and they were given full responsibility for profits and losses.

*Wage reform.* The wages of trained workers, workers, and employees have been put in good order several times. Introduction of a new wage structure for trained state workers and employees of nonproduction institutions and organizations was begun in the second half of 1985. A floating wage linked with economic efficiency and personal labor contribution was introduced for enterprises' workers and employees. And different forms of wages were utilized: piece-rate, standard, floating, compensation for glasses, and so forth.

In 1982 and 1988, the State Council conducted the initial restructuring of the government organs. The number of ministries and committees were reduced to 41 (there had been over 50). Their staffs were cut back by nearly 20 percent.

**5. Extension of ties with the outside world and reinforcement of international exchange and cooperation in economics, science and technology.** Our experience has shown that we must rely first of all on our own efforts in building socialism. However, we cannot shut ourselves off from the outside world, either. Openness is a long-term and immutable political objective for China. Four special economic zones were established in the PRC for a 10-year period. The entire new province of Hainan was turned into such a zone in 1988. Fourteen maritime cities, where 12 economic and technical development zones were established, were also opened. Three open economic regions were formed as well—the deltas of the Yangzi and Zhujiang Rivers and the southwest region of

Fujian Province. Guangdong and Fujian Provinces were named experimental regions to conduct overall reforms and extend ties with the outside world. In the maritime regions, there are more than 280 cities and districts, with a population of 160 million, which are pursuing an open policy. An open maritime belt extending from north to south has gradually been formed. In 1988 China's foreign trade commodity turnover was valued at 102.7 billion American dollars, which is nearly five times more than in 1978. By the end of May 1989, the establishment of more than 18,000 joint ventures and "purely" foreign enterprises had been approved. Total foreign investment in accordance with existing agreements is over 27 billion American dollars, and more than 10 billion have been practically utilized. The open policy continues to be developed.

In connection with the counterrevolutionary rebellion which developed recently in China, there were attempts to exert pressure on us, there was interference in the PRC's internal affairs and the application of so-called sanctions. In spite of this, the Chinese Government firmly intends to continue its open policy and to develop friendly relations with all countries of the world. We hope that the governments and business circles of the states concerned will demonstrate foresight and a broad-minded approach and will develop mutually advantageous cooperation with China.

**6. Normalization of the economy and putting the economic system in order; the development of conditions for further extension of reforms.** Obvious progress has been made in China over the 10 years of reforms and open policy. We can draw the conclusion with good reason that the direction of the reforms was correct and their implementation was successful on the whole. At the same time, in soberly assessing the situation, we are aware that there are many new problems and difficulties ahead. Inflation has intensified appreciably since the second half of 1988. The dynamics of retail prices appear as follows: in 1988, they rose by 18.5 percent over 1987; they rose by 25.5 percent in the first half of 1989 compared with the first half of 1988, but they rose by only 7 percent over December 1988. We have managed to slow down inflation's rate of increase.

Over the past several years we have noted an overheating of the economy and an excessive increase in capital investments and the consumption fund. Public demand has been far in excess of supply. The proportionality of the economic structure has been violated, the development of agriculture has slowed down, turnover is in utter confusion, and economic crime has increased. Instances of dissociation and social injustice in distribution have led to dissatisfaction among part of the trained workers and working masses. Aggravation of these problems is also related to the fact that a new mechanism for self-regulation and self-restraint has not taken shape yet in the process of the shift from the old economic system to the new one, as well as the fact that we have made

mistakes in management and in the work (including inconsistency in the struggle against bourgeois liberalization).

As noted above, the Third Plenum, 13th Convocation, of the CPC Central Committee (September 1988) set the policy for normalizing the economic situation and bringing about economic order by the continuation and overall extension of the reforms. It was stressed at the same time that for the next 2 years or an even longer period, the center of gravity should be shifted to normalization and establishing order. The nature of this policy and its goals may be formulated in a very general way as follows.

1. Normalization of the economic situation—this is a struggle against inflation first of all. The specific requirement is a continuous annual decline in the rate of price increases. The rates of economic growth should be maintained at a rational level in the process.

2. In bringing about economic order, the main objective is to regulate turnover and the activity of various companies. We need to gradually establish and perfect systems for macroregulation and control, economic legislation and control, chiefly to bring about a normal situation in the market.

3. Putting the economic structure in order. The main objective here is to optimize the structure of production and output and the organizational structure of enterprises. We must further reduce the scope of capital investments in fixed capital; bring the amounts of loans and currency emission under control; hold in check the excessively high rates of increase in the consumption fund; gradually mitigate the disparity between supply and demand; increase capital investments and production in the agrarian sphere, power engineering, transportation, and the raw materials industry; and bring basic balance to finances, the credit sphere, material supply, and foreign exchange incomes and expenditures.

4. Extension of reforms at enterprises as an overall orientation. At the same time, we must establish and improve a mechanism for enterprises' self-regulation and self-restraint and reinforce self-management aimed at revealing internal reserves. This will create the conditions both for further extension of the reforms at enterprises and overall changes at the macrolevel.

The counterrevolutionary rebellion which took place in Beijing recently undoubtedly had a definite negative effect on the work of normalization and bringing about order, and on economic development as a whole. At present the situation is calm, the situation has been normalized. In conformity with the requirements of the CPC Central Committee and the State Council, we are generalizing the experience and lessons of the 10 years of reforms and open policy and we are correcting errors and shortcomings in order to conduct our work better and more consistently.

Socialist states have a great deal in common in their reforms and economic development as a whole, but each one of the countries has its own features as well. In this respect, China and the Soviet Union can learn a great deal from each other and borrow the partner's experience. We hope that publication of the works of Chinese economists will arouse interest among our Soviet comrades. We also have no doubt that the methods and experience of Soviet perestroika will become a stimulus for our reflection and will be useful for the development of economic reforms.

COPYRIGHT: Izdatelstvo "Vysshaya shkola", "Ekonomicheskiye nauki", 1990

### Somber View of China After Martial Law

90UF0033A Moscow TRUD in Russian 31 Mar 90 p 3

[Article by TRUD Special Correspondent Ye. Zhurabayev, Beijing: "Melting Snow on the Flowers: China After the Repeal of Martial Law"]

[Text] The snow fell unexpectedly. The delicate, barely ripening buds of the first flowers found themselves under a cold white veil. But a day later, the fine veil had already come apart at the seams, leaving dirty puddles behind it. The wet, foggy weather, unusual for a Beijing spring, settled in.

A passerby on the streets of Beijing is struck by the abundance of new construction and... by the policemen who maintain strict order and discipline here. People in green uniforms leisurely stroll along the broad avenues lined with brand new skyscrapers and patrol the typically busy Asian-style crosswalks and the old crowded quarters of dusty one-story buildings with open interiors.

Evidence of last June's unrest disappeared long ago from the face of this city of ten million. The state stores and private shops are filled with every possible type of commodity. Consumer fever has seized not only the Soviet but other foreign guests as well; consumer goods prices are one and a half to two times lower here than in other countries. However, for local residents (excluding private traders) these prices take a painful "bite" since laborers and white collar workers already low wages are frozen to combat inflation.

Having dynamically gathered speed during the years of reform, the Chinese economy had clearly become "overheated" and it had to slow down. Now it is improving and reorganizing and overcoming its choke points, especially with regard to fuel and energy sectors and transportation. Investment and credit in all other spheres of the national economy have been severely restricted. However the population's poor ability to pay and the decreased number of foreign tourists is nevertheless resulting in a overstocked markets in the relatively prosperous large cities. There are quite a few of the so-called poor areas in the country; according to official data, more than 40 million people are barely making ends meet.

Some enterprises have closed or stand idle since they have not been able to withstand the current difficulties. Because of this, laborers and white collar workers wages have decreased even more and factories are not utilizing bonuses and other types of material incentives. All this cannot help but cause a great deal of irritation and universal envy of "the good life" of private entrepreneurs and the corrupt strata of skilled workers. And indeed, society still has fresh memories of last year's unrest... Numerous foreign journalists accredited to Beijing remember them in their articles.

Under these conditions, maintaining political stability is of paramount importance in a society of 1.1 billion people who have highly differentiated incomes. Considering that stability is a very acute problem in our country too, it will certainly be interesting to observe the train of thought in Beijing's official circles on this difficult question. I cite an excerpt from the report to the current session of the VSNP [All-Chinese Assembly of National Representatives] (the Chinese Parliament) by PRC State Council Premier Li Peng, who is expected to visit the USSR at the end of April: "In order to realize the strategic goals of economic development, we need peace in the international arena and a stable, cohesive situation inside our country. Last year's agitation once again confirms that when disorders arise in the country and when society is in a state of anarchy, it is impossible to be engaged with either the economic structure, reform, or with the expansion of foreign contacts. The Chinese people have had a full taste of the bitterness of disorder. The vital interests of the people of the PRC are in the preservation of stability... If our country does not continue to adhere to socialism and, based on the advice of certain people, turns to the capitalistic route, a sharp contrast between wealth and poverty will inevitably arise, polarization will occur, the overwhelming majority of people will become beggars, and a prolonged period of social instability will reign. The country will slide into the position of being an appendage of the developed capitalist countries... A firm defense of socialism is inseparable from a firm defense of the leadership of the Communist Party... Without the leadership of the Communist Party, We cannot insure the stability of the state and unity of the people in China..."

At the same time, Li Peng considered it necessary to stress that it is impossible to build socialism without the future conduct of reform and expansion of foreign contacts. As for the latter, they are being damaged by the sanctions being maintained by a number of Western States in response to the harsh suppression of last year's unrest whose participants demanded immediate democratization of society and resignations of several leaders.

I was not an eyewitness to the tragic events in June. But, judging by the comments of the Chinese and foreign press, the heat of passions on vast Tiananmen Square where Mao Tse-tung is buried reached such an extent that an abundance of blood was shed on both sides. Eyewitnesses cite a symbolic yet very awful fact that

characterized the atmosphere of those days. Radically-oriented demonstrators, one of whose demands was the removal of Deng Xiaoping from his leadership position, hung small Coca-cola bottles by the neck from tree branches and beat on them (Xiao Ping means "little bottle" in Chinese). Many commentators in Beijing think that extremism manifested on Tiananmen Square undermined the position of reformers in the country's leadership.

The opinion exists among foreign journalists who work here in the complicated conditions that are intensified by the closed nature of Chinese society that the June explosion could be repeated. At the same time, the Chinese leadership firmly states that they will not permit a new "counterrevolutionary rebellion" despite the influence of foreign trends on Chinese society and Western pressure. Furthermore, the calculation is not just based on the Army and the police, the strict discipline and tradition here of youth listening to their elders, but also on maintaining the country's high rate of socio-economic progress and also on a sharp increase in ideological and educational work among the masses.

I cite an example of the authorities' concern about the younger generation's ideological purity. They have begun sending University of Beijing freshmen to the Army for a year and graduates for a some period of time to an industry that is frequently not associated with their college major.

As for the economy, during the coming decades they are assigned the task of doubling the gross national product once again and providing a "moderately prosperous standard of living" for the people. It will be difficult to maintain the planned rate; it is sufficient to remember that in spite of the astonishing successes achieved during the first decade of economic reform, China is still a country with 220 million people who are illiterate, a country with industry that is, as a rule, marginally effective and fed by a cheap labor force, and there is open and hidden unemployment.

In the event of any type of economic failure (especially in agriculture) or unstable situation in this enormous country with a high birth rate, impoverishment of the population begins and, in my opinion, hunger inevitably leads to chaos and bloodshed. Already right now in spite of last year's record harvest, demographic trends have resulted in a large portion of the population living on the edge of abject poverty where all of a man's thoughts are directed at how to get hold of those wonderful white grains of rice that take away the stomach's hunger pangs.

Judging by everything, in Beijing they think that the problems of democratization (sooner or later, apparently, they will have to be resolved) will depend on the country's socio-economic progress and the general and political educational level of its citizens. In other words, society must first achieve a certain degree of well-being, consciousness, and self-discipline and only after that can they carry out political reform. Of course, there is a grain



of truth in these arguments. On the other hand, as we all know, the USSR and Eastern European countries think that it will be difficult to achieve lifelong prosperity without political transformation and precise consideration of the people's opinions. We undoubtedly have something to learn from not only each other's achievements but from each others' mistakes as well.

A light drizzle was falling when I flew out of Beijing's Shoudu Airport. The aircraft rose above a fog bank and took a course toward Moscow.

### South Korean Economy, Prospects for Trade Examined

90UI0465A Moscow LITERATURNAYA GAZETA  
in Russian No 12, 21 Mar 90 p 15

[Article by Mikhail Yefimov: "The 'Young Tiger' Is Approaching; What We Know and What We Do Not Know About South Korea"]

[Text] In recent years, the expression "young tigers" has become established in the political lexicon, referring to the rapidly developing South Korea, Singapore, Taiwan, and Hong Kong. Their goods have begun to appear on international markets. And perhaps the most forceful of all the "young tigers" has proven to be the South Korean one. At the mention of it, the blood pressure of many Japanese and American businessmen begins to rise, and passions begin to burn in political circles. There is good reason for this.

"Samsung", "Hundai", "Daiwa", "Lucky Gold Star" and other firms have begun to put pressure on the competitors in the world market which up until now have seemed omnipotent. South Korea's automobiles have begun to race along USA highways, while its electronics and computer technology have forced the acknowledged leaders to make room. This is not to mention such sectors as textiles and ship building, where South Korea has long ago established itself.

At the same time (and this evokes particular fury in the competitors), South Korea has tightly closed its own doors to many types of import. On the streets of Seoul you will not see a single foreign brand name, while the products of "Seiko", "Sony", "St. Laurents" or "Chanel" sell at such prices that one cannot even get near them.

#### The "Korean miracle"?

As we know, there are no miracles in the world. The main weapon or, more precisely, the key with the aid of which South Korea has opened up the world market is a relatively low production cost combined with a high quality of goods.

During the past three decades, in which South Korea arose from the ashes and burst onto the proscenium of scientific-technical progress, the country has skillfully utilized vast Western credits. First of all, these credits

were thrown into the development of highly technological production and training of specialists. Very many masters of South Korean business and leading engineers and scientists hold diplomas from American universities.

On the whole, the level of education in the country is very high. It is maintained by mandatory 9-year education in school and the highest percentage of students in the world. This strong intellectual potential allows South Korea to battle its competitors on the very leading boundaries of scientific and technological progress.

The economy is characterized by an extremely high degree of concentration of production. In fact, the country is in the hands of 30 monopolistic groups. If we state this more precisely, then perhaps only four. The journal KOREA BUSINESS WORLD presented the following figures: The land belonging to this "group of 30" comprises 426.3 million square meters. This is the area of the city of Taegu—the third largest in South Korea. The overall value of the fixed capital is estimated at slightly under 10 trillion won (approximately \$150 billion). Forty-eight percent of this sum belongs to the top four.

#### "Hundai" means "current"

We came to the port city of Ulsan on the very day when a typhoon was raging there. I got the impression that we drove there under a waterfall. Therefore, no matter how our hosts tried to show them to us, we were unable to get a good look at the famous "Hundai" wharfs. Only the impressive figures on the speedometer and the long line of ships huddled against the pier spoke of their size. Among the ships was our own "Spask", well worn by the marine elements.

Here, on the shores of the Sea of Japan, which in Korea is called the Eastern Sea, wharfs were built in 1975 which meet the highest requirements. They showed us a dry dock in which ships with water displacement of one million tons can be built. Over the past 15 years, all the equipment in Ulsan has been fully renovated.

The main buyers are England, Norway and Hong Kong. Not only do they build new ships in Ulsan, but they also repair old ones. This allows the company to maneuver in the current difficult situation, when it is becoming more and more difficult to receive an order for starting construction on a new ship. As they explained to us, today the wharfs are loaded to half their capacity. Here hulls are lengthened and shortened, and ships refurbished. We might add that in the past 1 1/2 years there have been 35 ships bearing the Soviet flag in Ulsan (this is one-tenth of all the ships repaired here).

We met the honorable chairman of the concern, Chong Chu Yong, before his trip to Moscow. Despite his 74 years, he appears to be a very energetic and rather lively man. He was filled with optimism regarding the future of trade between our two countries. "The USSR will surely

become our good partner. We must develop comprehensive cooperation. I would like to propose to your country that it build an aluminum combine in the Far East. You have cheap coal and electricity. Our products could be quite competitive”.

During the visit of the South Korean delegation headed by Chong Chu Yong to the Soviet Union, the Seoul newspapers reported each day under bold headlines on the course of the talks. Judging by all this, the businessmen were satisfied with the results which were achieved.

### Visiting the past

We turned off from the broad Seoul highway and began to ascend up a steep narrow road. Finally our car came to a massive gate, and my fellow traveller entered into some kind of long negotiations over the intercom. The gate opened, and we again began driving upward along a narrow little road. From around the turn there unexpectedly loomed an old stone house with columns, and next to it—a small green meadow. The cicadas were hissing. I could not believe that there could be such an oasis in the center of Seoul with its 10 million population.

A few steps up, through massive doors—and we are in the residence of Yun Chi Yen the country's oldest political leader. The setting is reminiscent either of victorian England, or Japan at the end of the last century. And then here is the host himself, who for his 92 years of age descends quite briskly down the oak staircase and reaches out his hand.

The life of Yun Chi Yen was closely interwoven with the history of Korea. In February of 1919 he participated in the anti-Japanese student movement. He spent 7 years in a Japanese prison, including several years in solitary confinement. He was subjected to torture. In combat he lost the hearing in his right ear. After the liberation of Korea he was an active participant in the political movement. He was parliament deputy at several convocations, minister of home affairs, one of the closest companions-in-arms to Lee Sahng Man, chairman of the ruling party under Pak Chong Hi, and until last year the leader of a group of advisors under Roh Tae Woo. The numerous photographs hung along the walls of the entryway seem to illustrate the stormy biography of the owner.

Yun Chi Yen recalls how he fought against the Japanese occupation in his youthful years, how went to the League of Nations, where he tried to tell about the tragedy of his people. “But at that time the USA supported Japan and did not let us speak”. He had occasion to meet Eisenhower and Kishi, and to hear the speech of Vyshinskiy in the U.N. Yun Chi Yen believes himself to be a patriot, since he always fought against the foreign dictate. “We were occupied first by Japan, and then by the USA. Our people are tired of violence”.

Yet when I asked him about his attitude toward democratic processes, Yun Chi Yen made a small fist and said decisively:

“I am a convinced proponent of the strong hand. It cannot be that in a common house one tenant says that he is hot, while another says that he is cold. While sitting at the same table, we cannot order a sweet and salty dish at the same time. Such an apology for democracy leads only to discord. A society is strong only when it is ruled by a strong hand.”

I listened attentively to the convinced proponent of the strong hand, whose speech was not distinguished by particular logic. Nevertheless it was, it seemed to me, quite sincere.

“You are the first Soviet person who has set foot in my house. Even a few years ago, despite my position, such a meeting could have meant jail for me. The very word “communist” carried the threat of arrest,” laughs Yun Chi Yen.

“I am very worried about the fate of your perestroika and its inspirer Gorbachev. Will the conservative forces really be able to stop it? This will be reflected throughout the world and also here in Korea. Gorbachev is a great leader. We all need him now.”

Yes, the attitude toward us is changing. On one hand, one senses very great interest, which is quite understandable in view of the long years of complete silence. On the other—this interest rests on the broad possibilities of business cooperation. The leaders of practically all the political parties, including the ruling party, told me about this, as did leading businessmen, outstanding political studies experts which were part of the main “brain centers”, and finally also my colleague journalists.

### What Is Next?

For the past 40 years, our countries have stood with their backs to each other. There have been serious reasons for this, and primarily that anti-communist regime which became established on the Korean peninsula south of the 38th parallel.

However, the new political thinking teaches us to see the world as it is, whether we like it or not. Soviet delegations are frequent visitors in Seoul, and recently the USSR Trade-Industrial Palace and the South Korean Association for Promoting Trade exchanged representatives. It seems the ice has been broken.

Yet these are only the first steps. The question of bilateral relations is woven into a very complex pattern of international problems. We have ours, and our partners have theirs. Even at a very high level—both in the building of the National Assembly, as the South Korean parliament is called, and in the headquarters of the

ruling party—they let me know quite frankly that Washington is not thrilled about contacts being established between Moscow and Seoul.

The newspaper TON'A ILBO tells, for example, how difficult it was for it to get permission to invite the Alma-Ata Korean ensemble "Ariran" for a guest performance.

There are many sceptics and even open opponents to the development of trade-economic cooperation with our country. I might add that they very skillfully use the tactics which have been widely used by our own bureaucracy, the tactics of delays, unnecessary agreements, and sometimes the total absence of a business-like approach.

In thinking about the future of our relations with South Korea, we should not forget that this country has set for itself an ambitious goal—within the next few years to enter the world top ten; that it is beginning to play an important role in the Asian-Pacific Ocean region, and finally, that it is our close neighbor.

#### **Commentary on Vietnamese 'Boat People's' Return to Hanoi**

90UI0455A Moscow IZVESTIYA in Russian 18 Mar 90 Morning Edition p 5

[Article by V. Vinogradov: "Refugees Are Being Returned"]

[Text] Hanoi—Another airplane from the Hong Kong airline recently delivered to Hanoi another batch of Vietnamese refugees, who had expressed a desire to return to their motherland after a long stay in the displaced person camps and who were not waiting for permission to go to some other state.

At the present time, the number of this type of returnee has exceeded a thousand. Several months ago, they left Vietnam illegally and, having reached Hong Kong by water, counted on receiving there the right to live in one of the Western countries. The matter turned out to be not a simple one. It is sufficient to say that practically none of the 56,000 Vietnamese, who are living in reservations on islands under Hong Kong's control have managed to escape to the United States, France or Canada as they intended. Persons, who have well-off relatives abroad, are the exception. However, there is, incidentally, no need for them to violate the laws of the Socialist Republic of Vietnam; you see, the legal departure procedures are now rather uncomplicated there.

David Wilson, the English governor of Hong Kong, told a FRANCE PRESS correspondent in an interview that, in order to prevent a new stream of refugees, an order has been issued to the city's immigration and patrol services to carefully protect Hong Kong's territorial waters from intrusion by foreign vessels that do not have identification marks and the appropriate documents. Only in extreme cases and solely for humanitarian reasons and in consideration of the critical condition of

the refugees will they be allowed to land in places designated for this, that is, in camps surrounded by barbed wire.

The question of refugees from the countries of Indochina has recently become a subject of intense attention in various international forums. A regular conference under the aegis of the United Nations was recently held in Geneva in which representatives from three groups of countries participated. The first group consisted of those who are the "source of the refugees;" the second—"transit countries;" and the third—those issuing official entry visas. In this region, Hong Kong, Malasia, Singapore, and Thailand belong primarily to the second category of countries. All of them have announced their intention to close the channels for new batches of refugees from Vietnam, Laos and Cambodia because they cannot provide them with normal conditions even for a temporary stay nor assist them in going to another state. According to very modest estimates, more than 120,000 people, basically former citizens of Vietnam who do not have the status of political refugees based on their situation, have now piled up in these countries.

As is evident from the statistics cited, Hong Kong is in an especially difficult situation. On 16 June 1988, this city's authorities adopted a law that sharply limited the flow of immigrants. It said that persons, who do not have specific addresses and invitations to enter the country that they plan to, will be sent back and no material assistance is guaranteed to them. The ASEAN countries also introduced similar rules in March of last year.

Foreign radio propaganda, which promises an easy life and quick success to those who leave their native land, has done its deed. Now, however, even the Western countries admit that the overwhelming majority of the runaway Vietnamese were not subjected to any political persecution in their motherland and had not experienced extreme poverty. The economic stability of Vietnam, the democratization of public life and the simplifying of procedures to compile exit documents are widely known.

On its part, the government of the Socialist Republic of Vietnam has pledged to take steps to improve the monitoring of its borders, its patrol services on the seas and its explanatory work among the population. In accordance with an agreement with Great Britain, Vietnam has expressed its readiness to take back refugees who voluntarily agree to return. It was emphasized, however, that any attempts to forcibly compel people to become repatriates would be rejected. The personal desires of each one must be strictly considered. All the rights of a citizen of the Socialist Republic of Vietnam are granted to the returnees. No disciplinary or penalty sanctions will be taken against them.

Judging from everything, newspapers point out, if developments take place in this way and at these tempos, Hong Kong will hardly rid itself of the army of refugees before it ceases to be a colony of England in 1997. That is why London is in a hurry and is insisting on the forced

repatriation of the refugees to Vietnam. Not only the Socialist Republic of Vietnam but also the United States, which is urging in a moralizing tone the "observance of a humanitarian approach," is opposed to this solution.

One must admit that the years of warfare in Indochina and the general political instability in the region, at

whose center Vietnam was located for a long time, are, of course, the true reasons for the situation that has taken shape. The "boat people," who have thrown themselves into a sea of uncertainty and created problems for themselves, are more and more becoming a problem for those countries who first enticed them with lavish promises and who are now refusing to accept them.

### **Palestinian Labor Officials Visit USSR, Give Interview**

*90UI0446A Moscow TRUD in Russian 14 Mar 90 p 3*

[Interview with Geydar Ibrahim, general secretary of the Federation of Palestine Labor Unions, by D. Kuznetsov: "Preserving Peace in the Middle East"]

[Text] **As previously reported, a delegation of leaders representing the Federation of Palestine Labor Unions is here on a visit to the Soviet Union. Prior to the departure of the delegation from Moscow to return to their homeland, our correspondent D. Kuznetsov met with Geydar Ibrahim, general secretary of the Federation of Palestine Labor Unions and asked him to reply to the following questions.**

[Kuznetsov] Mr. Geydar, what was the purpose of the visit by this delegation to the USSR? And what have been the main results?

[Ibrahim] We came at the invitation of the All-Union Central Council of Trade Unions (AACCTU) to acquaint ourselves with the Soviet Union. Our purpose includes the goal of strengthening ties within the framework of the World Federation of Trade Unions.

There were three rounds of negotiations with AACCTU leaders as well as a working meeting with the USSR deputy minister of foreign affairs, Yu. M. Vorontsov. Our talks were conducted in a spirit of constructive and fruitful dialogue, and the results were encouraging. At the conclusion of the talks, a joint statement was issued that will soon be published.

[Kuznetsov] Our readers are eagerly following the progress of the Palestinian uprising in the occupied territories. What is the role of the Palestine labor unions in Intifada?

[Ibrahim] The workers of Palestine play the role of the avant-garde in Intifada. One of the basic forms of struggle is the strike—the refusal to show up for work at the Israeli enterprises. They play a part, moreover, in the formation of national social institutions, in increasing national productivity, and in stimulating the market. Members of the Palestine labor unions participate actively in demonstrations for halting the occupation by Israel of Palestinian territory. It can be said that 70 percent of the membership of Intifada are workers.

Together with the Palestine Liberation Organization, the unions of Palestine are giving material and moral support to those on strike. Since the establishment of Intifada, we have sent about a hundred union delegations into the occupied territories. This has given the delegations an opportunity to familiarize themselves with the inhuman tactics used by the occupiers to suppress the uprising.

The occupying powers have unleashed what amounts to a war against the unions of Palestine. They are arresting union leaders, closing unions, and confiscating their

property. Nevertheless, it may be said that the workers of Palestine make up the basic operating force of the Palestine revolution.

During the time that Intifada has been in operation, 1,090 people have been killed; more than 53,000 persons have been wounded, and almost 60,000 Palestinians have been thrown into prisons or concentration camps.

[Kuznetsov] We are aware that there have been strong reactions in the Arab world to the problem of Jewish emigration from the Soviet Union to Israel. What do you think about this problem, and what is the position of the Palestinian unions?

[Ibrahim] The emigration of Jews into Israel, whose government is resettling them in the occupied Arab lands, in the first place is stirring up the people of Palestine and the Palestinian workers. Not only is this process not conducive to the establishment of peace in the region; it is one of the causes of increased tension in the Middle East. Israeli Prime Minister I. Shamir has made the statement that the resettlement of Soviet Jews in Israel will help to bring about the establishment of a "Great Israel." But this aim can be realized only by unleashing a new war in the region.

It is said that the emigration of the Jews is being carried out in the name of lawful human rights. But should the rights of the Jews really be realized at the expense of the lawful rights of Palestinians? At the same time, it is our belief that the rights of the Jews should be provided in full, including the right of free choice in choosing their country of resettlement. It is no secret that many Jews want to travel to Europe and the United States instead of to Israel.

Israel is planning to accept this year about 300,000 new settlers, of which from 60,000 to 70,000 are new soldiers. Thus this emigration poses a threat not only to the Arabs but to the Jews themselves.

I should like to take this opportunity to appeal to Soviet Jews to be on their guard with respect to American and Zionist propaganda lest they become its unwilling victims.

At the same time I want to ask Soviet leaders to expedite the process of finding a peaceful solution to the problems of the Middle East in order to counter the covert designs of the United States and Zionism, the aim of which is to sow discord in Soviet-Arab relations and ultimately to place the region under American control.

In conclusion, I want to thank the leaders of the AACCTU for welcoming us and to wish the Soviet people success in their present activities.

### Situation in Israeli-Occupied West Bank Described

90UI0446B Moscow IZVESTIYA  
in Russian 4 Mar 90 p 5

[Article by K. Geyvandov and V. Skosyrev: "Stones Versus Bullets: Reporting From the West Bank of the River Jordan"]

[Text] "The Army is not supposed to think; it is supposed to carry out the orders of the politicians. In this instance, the task before us is set—to reduce the level of violence."

As he spoke these words Lt Col Raul jammed the magazine with cartridges into the faceted chamber of his Uzi automatic. Lt Daniel, who spoke excellent Russian, followed the example of his crew commander. We had crossed the "green line"—that invisible boundary separating Israel from the Jordan West Bank—and both officers were following instructions to keep their weapons combat-ready in this area.

We had assumed, of course, that a drive in an Israeli vehicle through the occupied lands would not be the most carefree ride in the world. Nevertheless, the trip through the stony biblical scene of the desert to Nablus was without incident, except for receiving morose stares from the Arab drivers as their cars were inspected by military patrols at the checkpoints.

No sooner did we enter Nablus, the West Bank's largest city, however, Arabs on the street. Young Israeli soldiers in dark green uniforms hugged the walls as if expecting at any moment that they would be fired upon. Somewhere in the distance beyond the Balata—a crowded refugee camp—could be heard the carom of a single shot, followed by shouts.

What is going on? Here, it should be explained that the authors of this report came to Israel at the invitation of the local newspaper YEDIOT AKHIRONOG. With their assistance, the Army Information Service arranged for us to take a one-day trip into the occupied lands. Naturally, we could not count on an objective interpretation of events. The military had their own version to present. In spite of this, however, they behaved in an entirely correct manner, without taking us past any "Potemkin Villages," but giving us instead an opportunity to experience the real situation as encountered by the Israeli soldiers.

The Army has a rule in effect to inform the press of the first names of servicemen only. We were introduced to Col Amos, the commanding officer of the Nablus military district, the civilian population of which consists of 1,500 Israelis and 250,000 Arabs. At his instructions we were transferred from a car to a couple of jeeps. The were like jeeps everywhere, there was nothing special about them, except that they were painted in the colors of the

desert, girded with thick plexiglass and a vizored windshield, and equipped with a radio transmitter and receiver in one corner.

By radio, apparently, came the reassuring news that the road was clear. A soldier sat in the back seat, a rifle across his chest, whose name was Arthur. He arrived here from Odessa 14 years ago. When the time came, he was drafted. "These are not maneuvers," he said. "It is a matter of life and death. With the Arabs you never know what to expect."

No doubt if we had happened to converse with Palestinians that day, they would have expressed themselves even more unambiguously with regard to the Israeli presence. But there was no such opportunity. Every passer-by in a vehicle was an enemy in their eyes. And how did the rebels greet the enemy? With stones. Sitting inside a plexiglass cabin, one could not see where the stones came from; one could only hear them hit—the body of the jeep, then the shield of plexiglas. The driver stepped on the gas and the jeep lurched along the street and veered past the markets thronged with of people. As soon as the shower of stones ceased, Arthur and soldiers in the second jeep jumped to the ground, but they soon returned to their seats since there was no way to determine who the rebels were. Later, from what Arthur told us and from reports carried in the newspapers, we found out that we could have found ourselves in the middle of a serious incident.

The Arab city was seething with indignation. It turned out that the night before a group of raiders had tried to arrest 24-year-old Musu Sayyed, suspected of being a member of an assault team of rebels. In the Casbah, which is the old part of Nablus, where everyone lives in sight of one another, the Israeli detachment could not remain unnoticed. Sayyed, evidently, was notified of the danger, and he tried to get away over the roofs of the houses. The soldiers fired a warning shot in the air, but the fugitive did not stop, and they riddled him with bullets. A dozen bullets were extracted from his body in an autopsy. Two Arabs were wounded in the course of a search of Sayyed's living quarters.

That is the incident that occurred just prior to our arrival. It was obvious that a reduction in the level of violence, as the officers interpreted it, was still a long way off. Amos declared that in the initial months of Intifada the situation was even worse. The Palestinians, in his view, were tiring. They had been counting on an independent state becoming a reality, but that had not been realized. Therefore the older generation—between the ages of 30 and 45—were no longer taking part in the skirmishes with the soldiers.

"Then who is taking part in them?" we asked.

"Children. Adolescents," he went on to say. "They gather in small groups. They throw stones and sometimes bottles with flammable mixtures. They set up piles of old tires in the roads and set them on fire. These are the ones we contend with. An army, however, is designed

not to put down uprisings but to prepare for war, and that is the trouble. But two years of this have not passed in vain. We are gaining experience. My soldiers respond with fire only when they are fired upon or their lives are in danger. There are clear-cut orders on this point: Do not shoot to kill. In short, show restraint."

"Although this may not have happened in your district, tell us: Is it true that soldiers have caught some Palestinians and broken their bones?"

"Yes, that has happened around here, but it happened before they put me in command. At the present time the matter is under investigation, and it is up to the court to decide—I do not know who is guilty. I am convinced, however, that the soldiers were not ordered to break any bones. The Army, of course, recruits a broad range of people, and there are breaches of discipline, or the soldiers may drink too much and do something or other on their own initiative. But that is the exception."

"If you were confronted only by children, they would not be so difficult to deal with, would they?"

"The children are the ones who carry out the orders. But they are led by young men between 20 and 25 who wear masks and who do not throw any stones themselves. However, they keep everyone else in a state of terror. On their orders, schools are supposed to close at noon, and so are the shops and stores. If a proprietor stays open a half hour longer, the first time, he receives a warning; thereafter, he is "tried" as a collaborationist. Almost every week the bodies of such "traitors" are discovered with evidence of knife wounds or torture.

From the story of Col Amos one might conclude that the Israeli Army remains the sole force that is capable of maintaining even a modicum of law and order on the West Bank and of protecting the Palestinians from the Palestinians themselves. For some reason, however, their protectors get little gratitude. It is not without reason that the Israelis have surrounded the district headquarters, where the staff of the military governor is located, with a high barbed wire fence.

Since the outbreak of the rebellion, the life of Feysal al-Hussain has been a succession of light and darkness—the darkness when he has been in jail, and the bright periods when he is has been let out and plunged into the political struggle. And what does it mean for this Palestinian to engage in the political struggle? It means, of course, not only showing up at meetings, interacting with those who share his views, and giving interviews. It is also necessary for him to stay alive. Extremists, who are not pleased with those who call for compromise and a just settlement of differences, are to be found on the Arab as well as on the Israeli side. It is in no way surprising that the accomplices of al-Hussain carefully checked whether we were who we said we were before allowing us to ring a doorbell in a remote section of Jerusalem and to gain admittance to his private quarters, the windows of which were tightly shuttered with Venetian blinds.

"What are the grounds for your having been arrested?"

"I am accused of belonging to the Organization for the Liberation of Palestine and of establishing cells of FATKh [not further identified], which form the basic units of the PLO. But the authorities have no proof. For this reason, the last time the matter came up for consideration, the charge was based on secret denunciations that were never revealed."

"But you are, in fact, the leader of the Palestinian uprising in the occupied lands?"

"I am not the leader—I am one of those engaged in the struggle to bring about Arab-Israeli negotiations out of which may come an independent State of Palestine to exist alongside the State of Israel."

Understandably, the program advocated by al-Hussain includes other aspects pertaining to the resolution of the conflict. But today the newspapers are proclaiming more loudly than anything else the possibility of talks between the Israelis and the Palestinians with the participation of Egypt and the United States. Moreover, al-Hussain has been named as one of the members of the Palestine delegation. He himself, however, considers any discussion about the make-up of the Palestine delegation beside the point.

"Mr. Shamir intends to talk only with a delegation of Palestinians that he himself is to determine, said al-Hussain. "This is the same as if Arafat were to select the people in the Israeli delegation. It is absurd. Who is to become a member of the Palestinian delegation, in fact, should be left up to its legal representative, which is to say the PLO."

The clash of opinions in the press, however, with regard to the talks is merely a facade or a setting, if you wish, for the confrontation between the Israeli military machine and the Palestinians, which has not let up for a single day. And when one looks at it from the Palestinian side, one realizes that the Intifada is not letting up in any respect but perhaps is becoming more civilized in its approach.

For example, a medical center was established where treatment by the doctors and nurses is free of charge. The Israeli administration closed down the university for Arabs as a breeding ground of sedition, but the Arab teachers and even Israeli teachers in sympathy with the Palestinians have started to resume studies with their students in secret. The local peasants are producing more of certain types of food supplies, such as, for example, chicken, so that the Palestinians may be less dependent on Israeli deliveries. Since Intifada began, Arab officials have left Israeli institutions, but they are now becoming involved in committees working to resolve disputes between Arabs.

Mere details? Perhaps, from the viewpoint of a bystander. But the Palestinians consider them first steps on the way to creating the infrastructure of a future

independent state. The aim is to instill in people living under conditions of occupation a belief that they themselves can take charge of their lives, and to revive in their minds a "green line" separating the Jordan West Bank and the Gaza Strip from Israel.

And what about the "trials of collaborationists"? The question is one that is difficult for our interlocutors. The PLO leadership does not approve of the trials or, to put it bluntly, reprisals. Y. Arafat in broadcasts by radio has three times called for them to be suspended. Yet they are continuing. The fact is that Israeli agents among the Arab population have recently begun to engage in diversionary tactics directed against the leaders of Intifada, and this is their response. So it always goes in wars of liberation. Remember, the Palestinians told us, how traitors were dealt with by the anti-Fascists in France or by the Algerian rebels.

To be honest, this comparison does not seem very convincing to us. One can only suppose that the leaders of the uprising are simply not always able to maintain control over the fanatics who enter a mass movement of this kind. But, of course, they themselves do not always determine what happens.

There is one other factor that is disturbing even to Israelis who are strongly in favor of talks with the PLO. It may be recalled that two years ago the Palestinian parliament in exile approved a program recognizing the right of Israel to exist and the security of its borders, and that it also expressed the willingness of the PLO to sit down and negotiate with the Israelis a comprehensive settlement of the crisis. This program succeeded in convincing the international community that the leaders of the PLO were in no sense terrorists but intelligent people who wanted to put an end to the violence. Nevertheless, spokesmen for the three major groupings in the PLO last year made declarations in which it became evident that the formation of an independent State of Palestine on the West Bank and in the Gaza Strip was being looked upon as a stage leading to the liberation of the whole of Palestine, including the territory belonging to Israel.

Although these declarations were probably intended only for the Arab public, they received international attention and were immediately exploited by propagandists in Tel Aviv. At the start of our meeting with V. Netanyahu, deputy foreign affairs minister, he gave us a sheet entitled "What is the PLO Really Seeking?" in which these declarations were reproduced.

What do the Palestinian representatives in Jerusalem have to say on this score?

"Within the framework of the Israeli political system there are different parties in operation, including ones holding extremist views of religious orthodoxy," pointed out Hassan al-Hatib, who heads the Palestine Information Center. "This does not mean, however, that they speak in the name of the Israeli Government. The situation is exactly the same in the PLO. Different points

of view exist. For example, G. Habash, leader of the People's Front for the Liberation of Palestine, may not agree with the the program of 1988. That is his position. The program, however, was approved by a majority of the members of the National Council of Palestine, and it is precisely this program that expresses official PLO policy."

In Tel Aviv a veteran newspaper columnist described the essence of the problem as follows: The Israelis and Palestinians remind one of people who have been through a spiritual trauma. The Israelis cannot let go of the nightmarish memory of the destruction of six million Jews in the last war or the fear of being surrounded by hostile Arab neighbors. Nor can the Palestinians reconcile themselves to exile and occupation. This is why the way to mutual understanding is so difficult.

Not only difficult, but sometimes, we would add, seemingly impossible to reach. And all the more difficult for the fact that the head of the cabinet coalition, instead of negotiating with the PLO, is gambling as in the past on an "iron fist."

On this dark horizon, however, there are rays of light. Many Israelis—judging from surveys, as much as half the population—favor recognition of the PLO and reaching a settlement on the principle of "peace in exchange for land." It is these public sentiments that apparently have prompted S. Peres and leaders of the Labor Party to give Y. Shamir an ultimatum of their own: Either start a dialogue with the Palestinians or we will try to create a new government.

Whether all this is truly a harbinger of change in Tel Aviv or just another storm in a teacup is difficult to determine at present. In any event, there is no prudent alternative to negotiations. A balance of terror is too fragile a thing to be relied on for long.

#### **Kuwait Discuss Direct Trade With TuSSR**

*18350033B Ashkhabad SOVET TURKMENISTANY  
in Turkmen, 12 Oct 89 p 2*

[Turkmeninform report: "Relations And Treaties"]

[Text] The visit to our republic by a delegation from the Kuwait National Cooperation Union has concluded with the signing of a treaty on goals. It was the first step towards initiating trade relations between this Arab state and cooperative operators in Turkmenistan.

Kh. Agakhanov, first deputy chairman of the presidium of the Turkmenistan Consumers Union, said: "This is the first time we have received such a representative delegation led by the vice president of the Kuwait National Cooperation Union. The guests took a great interest in the work of Sovet Turkmenistany and Sotsializm kolkhozes in Ashkhabad Rayon, economic operations of the Komsomol horse breeding farm, and the living standards of the workers as well as scenic areas of the republic. The reason for this is the similarity with the



republic's climate. The guests' basic objective was to acquaint themselves with the possibilities of the Turkmenistan Consumers Union and to search out ways for mutually profitable cooperation. Thus, Kuwait's cooperators were at buildings belonging to the consumers union, food producing plants and retail stores, and acquainted themselves with the assortment of goods, and the structure and organization of trade. Our proposals to ship Kuwait fruits, vegetables and honey produced and packaged at the Buzmein tomato canning factory especially interested them.

We expressed our interest in attracting hard currency in order to purchase equipment for reprocessing vegetables

and fruits and similar food products from abroad. The question of establishing joint Soviet-Kuwaiti plants in our republic was examined.

The transition to new methods of accounting, and giving various plants and leaderships greater economic independence makes it possible to attract establish direct relations with foreign countries and attract foreign capital for the development of various branches of the economy. The visit of representatives of Kuwait's National Cooperation Union was very profitable and I would say that it marks the beginning of the development of firm trade relations.

### Privatization of African State Enterprises Examined

90UI0432A Moscow AZIYA I AFRIKA SEGODNYA  
in Russian No 2, Feb 90 [Signed to  
press 29 Jan 90] pp 35-38

[Article by A. Melikdzhanyan, in the Africa section, under the rubric "The Economist's Forum": "The State Sector: Privatization or Democratization?"; captioned photographs and political cartoon omitted]

[Text] The state entrepreneurship that spread rampantly in tropical Africa during the years of the 1960's and 1970's is experiencing hard times now. The economic situation's acute worsening has lent urgency to old arguments about the interrelation of state and private sectors in the continent's economy.

In the years 1981 through 1987, 16 of the 22 African countries, of diverse sociopolitical orientation, having decided to reform the state sector within the guidelines for implementing International Monetary Fund [IMF] stabilization programs, had effected a sellout of state enterprises, or had advertised concerning a sellout.

A reduction in state ownership and a commercialization of state entrepreneurship is dictated by the logic of adapting the economic machinery to modern management conditions and production force levels, both in the developed capitalist countries and in the monolithic "center-periphery" system.

According to Soviet researcher V. Sheynis' equitable observation, "it is not just the exploitation of the developing countries, but the exploitation conforming to modern intensiveness criteria, that is responsible for the objective conditions of modern state-monopoly capitalism's functioning."<sup>1</sup> Such exploitation presupposes removal of the obstacles in the way of transnational corporations' [TNC] penetration into these countries, obstacles presented, not only in the form of various kinds of tax, currency, credit, price, and other restraints, but also in the form of a sociopsychological climate unfavorable to transnational corporations' activity.

Until recent times, the state companies were entirely acceptable to transnational corporations as partners in their operations on the developing countries' markets. The Western corporations eagerly took advantage of local infrastructure services offered at obviously underestimated prices, and took part in the design and construction of many prestigious and unprofitable facilities that received the ironic appellation of "white elephants"—in short, they made their "contribution," sizable in some cases, to the worsening of the financial situation in the state sector. At a certain stage, however, the unprofitableness of most state enterprises, burdening the budget and disorganizing the production renewal process, began to interfere with the transnational corporations' maintenance of interests in the "Third World." Western conservative circles consider the privatization of those enterprises and deregulation of the economy an

important prerequisite to the developing countries' further integration into the world capitalist economy.

A special role in this strategy's implementation is assigned to the World Bank [MBRR] and the International Monetary Fund, which link the rendering of financial assistance to one or another country with demands for its state sector's "efficiency improvement" ["ratsionalizatsiya"]. This means, first of all, the selling out of some state enterprises and the following of other management principles customary in private business. Under crisis conditions, African governments are acceding to these demands ever more frequently. The World Bank and the International Monetary Fund finance the appropriate reforms, and select consultants from Western firms for their preliminaries and implementation; that is, they get the opportunity to supervise the economic reforms.

However, one should not see just concession to Western creditors in the state sector's reform. As has already been noted, underlying domestic causes exist for so abrupt a reorientation of African leaders in the matter of state entrepreneurship's future. One of these is disappointment in the operating results of the state sector which, in the continent's countries, regardless of their proclaimed choice of social development path, was intended to serve as the most important instrumentality in overcoming backwardness.

In fact, the state enterprises' unprofitableness became a universal conversation topic. Even in the relatively favorable years of the 1970's, their accumulations did not exceed 1 or 2 percent of the gross domestic product [VVP] and, in remittances to the budget, 10 percent of all budgetary receipts. Worse than this, the net outflow of funds from the treasury to meet the state sector's needs was steadily increasing. At first, of course, the state sector's financial base cannot be limited just to the savings of the enterprises themselves, or even to their gross profit, which includes both the sums withdrawn for the budget and other funds. By means of its budget, the state redistributes, to its advantage, both a portion of the additional values created in the economy's other sectors and the funds raised on foreign markets. In the African states, however, the budgetary redistribution system has increasingly furthered, not so much the expanded renewal [rasshirennoye vosproizvodstvo] of state capital, as the "patching of holes"—the coverage of current losses.

In the 1980's, the situation became difficult in the extreme. The number of profitable companies fell, and their revenues could not make up for the losses of the rest. The negative processes in the state sector provided grounds for assertions that it is really chiefly to blame for the economic crisis on the continent.

In a surge of critical attitudes, the state sector's opponents, in Africa itself and abroad, are trying to negate even the positive things that it has provided. As is common knowledge, the state sector, with all of its

shortcomings, was essentially the only force that provided for creating the infrastructure, training the personnel, and laying the foundations for a national industry, without which it is hard to imagine the African economy's progressive development in the 1960's and 1970's.

The conservative approach to solving the state sector's problems, which has found its fullest expression in a number of the World Bank's latest publications, proposes a substantial narrowing of the state's sphere of direct entrepreneurial activity in a general economic liberalization context. However, whereas this position was previously motivated by the state sector's seemingly intrinsic inefficiency and unprofitableness, its proponents now use a more subtle set of arguments. In wide circulation, for example, is a proposition, according to which the state sector has become "too vast" in African countries, so the state lacks the resources to support its normal operation; therefore, the burden of developing the national economy must be shared between it and the private sector.

Privatization advocates particularly stress the need to save the society from the dictates of state corporations, whose monopolistic status in the market turns into waste of resources and infringement on consumer interests. Per se, the idea is valid that many state enterprises, lacking sufficient competition, have lost the incentives for increasing production efficiency. However, the "neoclassical" idea's adherents give inadequate attention to the African market's specific features. Monopoly there does not grow out of competition, but seemingly precedes it. The state and private sectors' spheres of activity are consciously delimited in only a few countries, and, in most cases, the monopolistic status of state enterprises, like the very fact of state interference in the production sphere, is a consequence of the underdevelopment of national private entrepreneurship and its lack of desire to participate in the creation of those sectors which, although absolutely essential to harmonious economic development, do not promise quick and high returns.

Under these conditions, "privatization means no more than a transfer of monopolistic income from bureaucrats' hands into private capitalists' hands," and "a state monopoly's replacement with a private monopoly does not increase the public well-being."<sup>2</sup>

Admittedly, African private entrepreneurship, which has grown stronger during the years of independence (with the state sector's assistance, and at its expense, among other things), can and should play a more active part in eliminating economic backwardness. As before, however, the urgent nationwide needs concern it little. Its main areas of interest are highly profitable operations with real estate, trade, services, financial manipulations, and, sometimes, even usurious activity. Therefore, even in such countries as Nigeria, Liberia, or Senegal, privatization projects do not arouse particular enthusiasm

among the local capitalists. The domestic capital market's narrow-mindedness and disarray seriously hinder the sellout of stock shares in state enterprises.

In the foreseeable future, privatization is most realistic with mainly the participation of foreign capital and, primarily, the transnational corporations which even now exhibit a certain eagerness in this sense. However, their involvement has definite limits, inasmuch as it is capable of causing a loss of national control over key economic spheres. Privatization plans face the opposition of trade unions, managerial elements, small businesses, and most ordinary citizens, who justly appraise privatization as a factor in property differentiation and increase of social tension.

Despite its extensive advertising and support on the part of Western creditors, privatization in Africa has not acquired the scope that those creditors, apparently, were counting on. According to World Bank data, only 5 percent of the state enterprises there was transferred into private hands during the years 1980-1986, and this, moreover, in secondary economic sectors as a rule.<sup>3</sup> This permits the assumption that the state sector will retain its important role in the economy of African countries for the next several years, although its quantitative parameters will be subject to some adjustment.

To be more precise, a certain cyclicity in state sector development, brought about by both political and economic causes, had been observed even earlier. In most of the continent's countries, the state sector is still unable to provide for its simple [same-scale] renewal, let alone its expanded [increased-scale] renewal, out of its own internal savings. Thus any worsening of the economic situation that negatively affects the national budget immediately aggravates the problem of financing the state enterprises.

From this point of view, the replenishment of the state companies' capital through private investments offers certain positive prospects. In resorting to this measure, African governments also are hoping to obtain the latest technologies and management experience, especially when foreign partners are involved. In those cases in which economically unwarranted "supernationalization" has occurred (in Uganda, for example), the return of enterprises to their private owners has the potential of improving the economic and social situation to some extent. It would be patently unwise to exclude entirely from the arsenal of state regulatory means, guided only by ideological considerations, such measures as closing chronically unprofitable enterprises and partial or complete privatizing of individual facilities.

Nevertheless, in our opinion, privatization cannot serve as the chief method of state sector reorganization under Africa's conditions, inasmuch as it does not eliminate the underlying causes of the enterprises' unprofitableness, and, at times, directly conflicts with the long-term national interests.

Let us take note, first of all, of the specific features of state entrepreneurship in a poorly developed economy, compelled to assume primary concern for the creation of an industrial and social infrastructure and industry's basic sectors, which are marked by high-cost capital construction and a slow resource turnover rate. The large proportion of such facilities in the state sector causes the latter's low capital return in comparison with the private sector.

A group of factors, which affect the private sector in equal degree, and reflect the postcolonial economy's general dependence on the foreign market at all stages—from production to sale of products—adds to the "genetic" causes for the state enterprises' depressed profitability. The unfavorable internal conditions for modern economic activity in many African countries (poor infrastructure, limited payment-capable demand, shortage of qualified personnel, etc.) should be included among these. All of them affect production potential's utilization efficiency in a most negative way. Underutilization of capacities—a common phenomenon everywhere in Africa—leads to increase in production costs. However, when the private sector, in manipulating prices, passes its obligations on to the consumers, the state enterprises are often deprived of this "saving" opportunity.

Here we approach a third group of factors which artificially increases the inefficiency of state enterprises. The system of prices, taxes, and credit actually redistributes a greater or lesser share of the value created at the state enterprises to the benefit of either the private sector, other state sector elements (other enterprises, credit and banking institutions, and government agencies), or individual population groups. The prices on these enterprises' products are frequently excessively lowered in order to maintain the living standard of the urban and rural poor. As experience proves, however, such measures have little effect in the social sphere. The weakness in control over distribution of the subsidized consumer goods leads to the middlemen and speculators' obtaining the main benefit from the subsidization.

The practices that have taken shape in the state sector in hiring the work force and paying for its labor increase costs and decrease profitability. Although capital- and material-intensive production predominates in state industry, the proportion of wages and deductions for social insurance in the overall total of production costs is even greater there than in the private sector. An excess of personnel, especially administrative personnel, their pay's slight incentive effect, and its lack of relation to productivity growth rates are characteristic of state sector enterprises. The personnel policy defects, in the presence of poor financial control, create a fertile soil for corruption and outright thefts.

It must be admitted that the African countries, during the years of independence, have not succeeded in setting up the economic organization machinery appropriate to state entrepreneurship's specific features and tasks. A

mainly bureaucratic type of management, in which emphasis on extensive development, underestimation of cost-effectiveness criteria, substitution of nit-picking interference in the enterprises' everyday operation for real supervision, and assignments to key positions for political and tribal reasons rather than on the professional competence principle are inherent, has been instituted in the state sector.

Attempts to improve the state of affairs in the state sector have been undertaken many times in the countries of the continent, primarily by means of technical reequipment and financial infusions. Experience shows, however, that the effect of these is very limited if they are not accompanied by changes in the existing machinery of state entrepreneurship, by revision of the personnel policy and the widely prevailing system of excessive price lowering for example. At the present stage of state sector development, great importance should be attached to overall improvement of the aforementioned machinery and such of its components as price formation, fixed and working capital financing, interrelation with the budget, management of the enterprises, and supervision of their activity, not forgetting about the individual particularities and internal potentials of the separate enterprises.

Only comprehensive reforms, affecting all aspects of state entrepreneurship and all management levels, and devoting particular attention to the gradual democratization of production management, can produce a lasting effect. Let us cite the initiative of the Ghanaian workers who, in 1982, took over the textile factory "Ghana Textile Printing" when the Anglo-Dutch "United Africa Company," its previous owner, was trying to close it under the pretext of unprofitableness. The enterprise, directed by a committee, on which the majority of seats belongs to workers, has increased product output fivefold and become profitable.<sup>4</sup> This is by no means the only example of how successful self-management can be in Africa, if it is real and not fictitious.

Under the African economy's conditions of heavy dependence upon external factors, the struggle for a more equitable world order, and the expansion of cooperation between developing countries have particular significance for a fundamental solution of state entrepreneurship problems. Let us enumerate those of the entrepreneurship development paths that, we suppose, may further the state sector's improvement.

First, there is coordination of actions within the existing trade and economic unions' framework for the enterprises' gradual reorientation (where reasonable and advantageous) upon local raw materials and a regional or subregional market for finished-product sales; second, the states' participation, on a bilateral or multilateral basis, in joint projects of a production nature in such production fields as metallurgy, metalworking, the chemical industry, and certain others. One may also talk about the creation of new enterprises, and about the reconstruction and modernization of those already

existing. The developing countries' institution of joint multinational consulting firms, which would permit them to reduce their dependence on the West in the technological area, is closely associated with this development path. Finally, study of the experience in managing state enterprises in those countries wherein the state sector is functioning more or less successfully (in India, for example) might prove to be useful.

However great may be the negative influence of external factors on the state sector's situation, it does not remove the matter of internal reforms from the agenda. The need for internal reforms is understood by practically all of the continent's states, to which, for example, the Priority Program of Economic Improvement in African States for the Years 1986-1989 bears witness. Inasmuch as the state sector, as before, is called upon to play an important part in the region's development, it is noted in the program document that genuine efforts must be applied to the betterment of economic management in Africa, including the improvement of state enterprises' operation.

The sociopolitical orientation of the one or the other state largely determines the sequence, extent, and focus of these reforms. In countries that prefer the capitalist type of development, they obviously will be conducted in the form of a gradual elimination of distinctions between state and private entrepreneurship (from the goals and methods standpoint). In countries that have made the socialist choice, the privatization or closure of state enterprises is viewed as a temporary, and largely unavoidable, measure which permits the redistribution of resources and their concentration on key and strategically important development paths, and the main attention is devoted to a search for new and more efficient forms of state sector organization and enhancement of the democratic principles in its management.

#### Footnotes

1. V. Sheynis, "Osobennosti i problemy kapitalizma v razvivayushchikh stranakh" [Special Features and Problems of Capitalism in Developing Countries], *MIROVAYA EKONOMIKA I MEZHDUNAROD-NYYE OTNOSHENIYA* No 12, 1986, p 53.
2. "International Development Statistics Bulletin," Brighton, vol 18 No 3, 1987, p 34; "Business Weekly," Accra, vol 20 No 24, 1986, p 3.
3. "The World Bank. Financing Adjustment....," p 22.
4. For more detail, see V. Tyurkin, "Feniks" [Phoenix], *AZIYA I AFRIKA SEGODNYA* No 10, 1987.

COPYRIGHT: A. Melikdzhanyan, Sovetskiy komitet solidarnosti stran Azii i Afriki, Institut vostokovedeniya i Institut Afriki Akademii nauk SSSR, 1989 "Aziya i Afrika segodnya" No 2 1990

### Economic Problems, 'Repressive' Government Plague Sudan

90UI0426A Moscow IZVESTIYA  
in Russian 1 Mar 90 Morning Edition p 5

[Article by D. Velikiy, IZVESTIYA staff correspondent in Khartoum and Cairo: "The 'Strong Arm' Has Not Lived Up to Expectations: After the Military Coup in Sudan"]

[Text] Engrossed in conversation with my journalist colleague on the Novosti Press Agency [APN] correspondent's post, I had not even noticed how the black African night was enveloping Khartoum's streets. My comrade looked at his watch, and said matter-of-factly: "That's all; it's 11 o'clock, curfew time—you will stay with me until morning." That is how one has to be, because the curfew is strictly observed in the Sudanese Capital, and a night-time encounter with one of the numerous military patrols promises serious hardships....

Still, however, Khartoum's residents have at least become accustomed to the curfew during the half year that it has been in effect. It is a great deal harder to become accustomed to the acute shortage of sugar, bread, rice, butter, milk, and the other basic-necessity products. The lack of fuel—gasoline and diesel oil—is felt keenly, and the electricity is frequently cut off.

Official statistics, made public during a "national conference on economic salvation," more than cause alarm. Inflation amounted to 80 percent last year. The volume of the money mass is increasing by 75 percent annually. The speculative prices of basic products are 10 to 12 times as high as the state prices. There is a colossal currency reserve in the country, in frozen status and in "stockings," that the authorities are trying to eliminate.

A characteristic detail: In the Soviet Embassy in Khartoum, a large wicker basket, in which, by midday, one may find small rolls made of a lumpy, gray dough, is placed on a table next to the telephones on the first floor. The employees take their ration from the basket, and note this fact in a special registration book lying beside it. In short—bread "by ration card."

It should be added to this, that it is practically impossible to transmit any kind of message abroad from Khartoum. International communication works reliably only at the central telegraph office. Hundreds of teletypewriter circuits, telefacsimile circuits, and international telephone lines have now been silent in Khartoum for several years.

All of this is just a superficial cross section of what is concealed behind the facade of freshly painted green and white buildings of the city—the capital of the largest African state. One cannot say, of course, that Khartoum was a place of abundance at any time during the last several decades. There was always a shortage of produce and industrial goods to one extent or another under the (Nimeyri) Regime and the (Sadyk al-Makhdhi) Government. And, the natural disasters that Sudan suffered—a

flood of record destructive force, locust plagues, and meningitis epidemics—added mournful shades to the picture of the country's life. However, foreign aid, credits, "donor" assistance, and capital investment in agriculture made it possible for the Sudanese economy to stay afloat, at least after a fashion. The present alarming situation is characterized, first of all, by capital outflow from the country, a sharp reduction in foreign credits, and foreign investors' distrust of the present military government's economic and internal political steps.

After the coup d'état of 30 June last year, when the military circles' representatives again seized power, following a 3-year interruption, all political parties, as well as the trade union and public organizations, except the religious ones, were immediately outlawed. A wave of political repressions, of which the Sudanese Communists and the democratic circles' representatives primarily became the victims, swept over the country.

The pronouncing of death sentences for political activity, and with respect to labor-strike organizers, among others, has been practiced, and continues to be practiced.

Generally speaking, executions have become routine. After them, as a rule, there occur spontaneous protest demonstrations, which set the state's cruel repressive machinery in action again. This pattern is followed quite precisely. During my field trip, the execution of a man accused of currency manipulations was carried out by hanging, after which I observed a large protest demonstration in Khartoum that ended disastrously, as later became clear, for many of its participants.

It must be said that the government's repressive activity is hardly popular, either in Sudan or beyond its borders. The "strong-arm" advocates, of whom there were many in the country under the previous regime's chaotic and "untidy" democracy, are rapidly sobering up in the face of the gallows stockade. They are falling silent along with the newspapers that have lost the power of speech, and of which there formerly were several dozens in Sudan, but now are only three altogether. They stay silent in anxious expectation, just like the previously lively headquarters of the dozens of political parties, next to which there stand armored cars today.

Having met with the chief editor of one of those three newspapers now being published in Khartoum, I asked him a question about what explains such a drastic reduction in the number of printed mass information media in the country. The chief editor responded that those newspapers which have had to close were under the influence of one or another political party or trade union. And he described those that remain as truly independent. My subsequent questions were the natural ones concerning the criteria for true independence in today's Sudan. The answers boiled down to the following situations and facts: Newspapers do not have the right to criticize the government, but, on the contrary, they are

obliged to support its policy unequivocally in every case. The press is subjected to government censorship.

The conversation also touched upon the economy. The Sudanese, said my interlocutor, are obliged to change their attitude toward work, and to work without expecting quick results and unrealistic benefits, including those from the government. Currency manipulations, and the currency's being sent abroad, must be stopped, and the panacea here—execution....

However, although Sudan's "pocket" press suits its present leaders, the latter often abuse the representatives of foreign agencies. They condemn the BBC in strong terms for "nonobjective representation of events in the country." A roving correspondent of the English publications FINANCIAL TIMES and SUNDAY TIMES has been seized, and, without preferment of charges, is being subjected to interrogations. Visas for entry into the country are granted to mass information media representatives with lengthy procrastinations and are not granted at all to many.

One may suppose that the military regime's hostility toward the obstinate international press has been caused, first of all, by the fact that, as has already been mentioned, the cruel repressive measures of the country's leadership meet with harsh criticism abroad. Thus, in December of last year, Margaret Tutwiler, a U.S. State Department representative, urgently appealed to the Sudanese Government not to carry out the regularly occurring death sentences because the degree of this punishment is not in keeping with the magnitude of the unlawful acts committed. However, Khartoum has ignored this appeal, as it has many other similar appeals of state figures and international organizations.

The human rights question in Sudan largely determines the relations of Western states with this country. The problem of settling the civil conflict in the country's South has particular significance. It is difficult to say exactly how much money the Sudanese Government is spending on the conduct of military operations against the Southerners' insurrectional-movement formations. Data have been published in the press on hundreds of millions of dollars that the conflict, which has lasted for almost 7 years, is absorbing. So far, compromise remains the unachievable denominator on which, should it be achieved, the country's peaceful life might, perhaps, be built.

The conflict's result is palpable—6 million refugees from the country's South to its North, for example, and the Sudan's South is in the direst condition. More than 400,000 persons died of starvation there from 1986 through 1988. Of the 1,417 schools, 246 in all are functioning, and of the 22 hospitals—6.

So far, attempts to settle the conflict have been unsuccessful. The mission of J. Carter, who was to try to play the role of peacemaker for the sides, has failed. It is stated in an American Embassy press release in Khartoum that the negotiations with his participation did not

lead to the desired results—the warring sides retained their positions. In numerous speeches, the Sudanese Government's leader declares his willingness to sit down at the negotiating table. John (Garang), the Southerners' leader, is willing to do the same, according to his announcements. However, the war continues, and an end to it is not yet in sight.

For the South's population, the situation that has developed is catastrophic. Waves of military operations sweep across this vast territory, leaving the South's inhabitants homeless and hungry. And if there were no "Highway [arteriya] of Life," things would be utterly bad for the South's population.

The "Highway of Life," somewhat reminiscent of the Leningrad "Road of Life," is a unique phenomenon in our times, and it deserves a separate story. Acting in the spirit of the 43d Session of the UN General Assembly's resolution of 27 October 1988, Perez de Cuellar, this organization's secretary-general, urged the world community to allocate funds for carrying out a special program of aid to Sudan's South. Funds in the amount of 200 million dollars were collected during a short period—mainly in Western countries—which funds were converted into food products, medicines, etc. These were distributed among the South's population, both in the oblasts under the control of government troops and in the localities where the Southerners prevailed. According to the evaluations of various observers and international societies, the "Highway of Life" saved hundreds of thousands of persons from death.

Let us touch upon details. The aid was rendered within a framework of strict neutrality. The "Highway of Life" nudged the hostile sides into declaring a "month of truce" and observing it. The abstention from combat operations during the rather long time made it possible for the products and medicines to reach the population along "truce corridors." Relatively free access to the inhabitants of the war zones was accorded to UN personnel and the donor organizations that took part in financing the program.

It is especially sad that obstacles to implementation of the "Highway of Life" program's second stage are now being created. This is being done on the grounds, they say, that the aid is going mainly to territories controlled by the Southerners, and its content may be military.

I have talked with many refugees, even including some from Juba, the unofficial capital of Sudan's South. Eyewitnesses to the war's events—people who have experienced need and despair—have told me that the "Highway of Life" gave them a rare opportunity to feed their children during the most difficult times, and created a certain margin of reliability in those war circumstances. There have recently been signs that the "Highway of Life" will start operating again. If this happens, the lot of those who have unwillingly become hostage to the war situation will be substantially alleviated. The prospect, however, remains in doubt.

The very prospect of the conflict's peaceful settlement also remains in doubt. At the same time, it is perfectly obvious that Sudan's future depends, above all, on how constructive and conscientious the sides' efforts to stop the ruinous and bloody war turn out to be.

22161

62

NTIS  
ATTN: PROCESS 103  
5285 PORT ROYAL RD  
SPRINGFIELD, VA

22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, economic, military, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available source; it should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed, with personal and place names rendered in accordance with FBIS transliteration style.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Soviet Union, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.