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Soviet Union
Economic Affairs

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Defects in Union Treaty Finance Sphere Examined

914A0214A Moscow IZVESTIYA in Russian 15 Dec 90 Union Edition p 4

[Article by L. Pavlova, doctor of economics, professor, and M. Khodorovich, candidate in economics: "The Union Treaty—Appraisals, Opinions, Prognoses: But the Money Is Separate"]

[Text] In the draft union treaty you can find answers to most questions about the future relations between the sovereign republics and the USSR. And it is being received mostly favorably.

Nevertheless—probably due to a certain haste in the draft treaty's preparation—there are in it quite a few contradictory and controversial points, especially with respect to the economic aspect of the country's vital functions.

Let us take article 8 of the draft treaty, "Taxes and Duties," which proclaims: "The republics shall determine their own budgets and set republic taxes and duties independently.

"In order to exercise the authorities of the USSR, union taxes and duties shall be established, and proportional deductions for the implementation of all-union programs shall be determined in conjunction with the republics."

From this quotation it follows that the participants in the treaty do not consider it possible to carry out a unitary tax policy in the country. After all, however, the enterprises and the population must enjoy equal economic conditions throughout the territory, which is possible only given a tax policy based on common principles. Therefore in item 4, article 5, "Union Authorities," it should be added that the treaty participants shall assign the USSR authorities to conduct in conjunction with the republics not only a unitary financial, credit, and monetary policy but also a unitary tax policy.

Nor is it clear who is going to determine union taxes and duties. Meanwhile, the vagueness surrounding this issue is evoking diverse interpretations among treaty participants. It would make sense to move this topic from article 8 to article 5 of the draft and to state it in the following form: "Treaty participants shall assign the USSR authorities to determine union taxes and duties in conjunction with the republics."

This kind of clarification is necessitated by the fact that in any event the USSR must possess its own income base, so that it can carry out the functions assigned to it.

Finally, this article should stipulate as well that maximum levels for the taxes and duties going to the republic and union budgets shall be set by the USSR in connection with the republics. Otherwise we will have what is happening at present in Estonia, when tax rates on enterprise profits have been set at no more than 45 per cent and the republic has passed legislative and normative acts significantly exceeding that amount.

In our view, normal economic activity is impossible in the USSR without the conduct of a coordinated policy of price formation, all-union statistics organization, accounting, and investment policy. The draft treaty, meanwhile, omits these issues.

Worthy of attention is a more precise definition of the principles for forming the union budget, since at the present time there is no uniform approach in the union republics.

The RSFSR law "On Budget Formation in the RSFSR in 1991," passed on 31 October 1990, provides for the republic transferring to the union budget specific financial resources not in accordance with the effective legislation but at its own discretion. The declaration "On the Principles of Budget Formation in the Uzbek SSR," passed by the republic's Supreme Soviet on 30 October 1990, emphasizes that the republic is in complete control of all income earned on its territory, i.e., including that which should go to the union budget.

No one has deprived these legislative acts of the republics of legal force, and at the same time the commissions and committees of the USSR Supreme Soviet are examining the draft union budget for 1991, including the income that the republics consider their own. This means that both the USSR and the union republics are going to be laying claims to the same income.

There are discrepancies between article 5 of the draft treaty, "Union Authorities," and article 7, "Property." The first provides for treaty participants assigning the USSR authorities to keep and use the gold and diamond reserves in coordination with the republics. The latter stresses that the republics are the owners of the land, its minerals, and the other natural resources on their territory, which means gold and diamond ore and gold dust. Thus, the draft treaty is talking only about keeping and utilizing reserves in the union's possession at the time of the treaty's conclusion.

Also noteworthy is the fact that some fundamental theses set forth in the "Basic Directions for Stabilizing the Economy and the Transition to the Market Economy," as well as in the speeches of USSR President M. S. Gorbachev at the 17 November 1990 session of the USSR Supreme Soviet, are not reflected in the draft treaty. For example, on the creation of national security under the President's Council, on the coordination of the activities of lawkeeping organs within the framework of presidential rule, on the creation of regional development and support funds, and others.

Enterprise Managers Suggest Economic Reform Steps

914A0264A Moscow RABOCHAYA TRIBUNA in Russian 4 Jan 91 pp l, 2

[Article by Alim Chabanov, general director of the Rotor Scientific Production Association, and Vladimir Rusayev, deputy director of VNIITEP, Rotor Scientific Production Association: "Will Technocrats Come to Power; the View of Practical Managers on the Economic Situation in the Country"—paragraphs in bold type are the RABOCHAYA TRIBUNA introduction]

[Text] **"One cannot kill the initiative of enterprises for whom the market is suitable, as it is for anyone who has brains and hands." That is how USSR People's Deputy, General Director of the Rotor Scientific Production Association, A. Chabanov ended his article: "The Market—Life Without Fetters," published in our newspaper on 30 June of last year. The article, which recounted the experience of the work of an enterprise which dared, not waiting for manna from heaven, to work out for itself living conditions that match the standards of developed countries, has given rise to a stream of letters from readers.**

Today A. Chabanov and his long-time associate Deputy Director of VNIITEP, Rotor Scientific Production Association, V. Rusayev, continue the subject.

Reforms and Power

The first and chief condition for the effective management of economic development or rather the development of social unity is the selection of the priorities and goals of development. The second is the assessment and identification of comprehensive resource potentialities. And finally, the third condition is the existence of an organizational and managerial infrastructure capable of transforming these potentialities into specific end results.

Having available unique power-wielding opportunities, the totalitarian sociopolitical system in the person of the higher political figures, chose as the chief goal not the social protection of the individual as the embodiment of the socialist idea but "the defense of socialist achievements." It gave birth to the military-industrial complex at the realization of whose potentialities the developed capitalist countries shudder. Let us note that the creation and development of this complex (including the space direction) is a great deal more complicated than the creation and development of the production of consumer goods.

Concerning the all-union government. Deputies at all levels have done quite a lot to limit its power-wielding opportunities to the maximum. And it is precisely for that reason and not because of any indecision of the government that the country is on the brink of chaos and anarchy.

The hysterical demands for democratic freedoms and their practical implementation without legislative and executive mechanisms which protect democracy from the mob rule of the power of the crowd has led to the dangerous strengthening of the latter. In other words the reasons for the breakdown of economic relations and the slump of production lies primarily not in the economic mistakes of the government but in political mistakes which have engendered anarchy and lack of control. It must be firmly understood at all levels of the social hierarchy that no reforms whatsoever can be put into practice without the restoration of power-wielding opportunities.

We are not speaking in defense of a return to totalitarianism. We put the accent on the adjustability of estimates. The original sin of the totalitarian system, in our opinion, is not in the methods of organizing control but in the choice of priorities.

The restoration of power-wielding opportunities in the present complex socio-political situation is already impossible without public consent, which it is necessary to organize in a purposeful manner. In this aspect it is exceptionally important to reinterpet the concept of the socialist idea—one of the foundations of public consent—in a new understanding of universal values.

We think that the essence of the socialist idea is in the social protection of the individual and its unshakeable foundation is the Universal Declaration of Human Rights adopted by the UN in 1948.

The Convertibility of the Ruble

The professional economists propose the strengthening of the ruble as the main measure for an upsurge in the economy. Diverse fiscal measures are being suggested for this purpose, the essence of which comes down to the tying up of "excess" money, i.e., to controlling the money supply which ensures a local stabilizing effect.

It is hardly worth pointing out that control of the money supply alone does not create the material portion of wealth—the foundation for the survival of the people. Competent financial management is only a necessary element of an efficient economy, playing the role of a lubricant in an effective mechanism.

However, one needs to understand that the first and main condition for ruble convertibility is the ability of the state's economy to fill the market with a supply of high-quality and cheap goods that meet world standards. This necessarily assumes the active participation of the producers in the international competitive struggle. The second condition is sociopolitical and economic stability. And, finally, the third is the presence in the state of guaranteeing assets.

The main problem which has to be solved to strengthen the ruble is the problems of creating a modern technological infrastructure for the economy capable of producing a "freely convertible" supply of goods. Hence the

simple and clear conclusion: one can proclaim convertibility but it is useless. Creative efforts over a period of many years in the material production sphere are required to create the true conditions for convertibility.

How To Cool 'Hot' Money

Apparently we should look into what kind of economy we want to have. Both economists and politicians and technocrats in their statements draw attention to the lack of balance of supply and demand as one of the most important defects of our economy and propose numerous ways to improve it.

First of all, let us note that the monetary accumulations of the population far exceed the aggregate value of the supply of goods. The result is "hot" money not provided with merchandise, inflation, empty store shelves and a fall in the living standard of the people. Instead of the competition of producers there is the frenzied competition of buyers.

Balance can be achieved without difficulty by increasing the prices for goods and services. The shortage can be drastically reduced but the unavailability of goods and services for the majority of the population remains.

Apparently such balance is necessary to some extent but it is also not enough. Quantitative balance is important, i.e., the aggregate demand should be counterbalanced by the volume of the supply of goods. In this case the pressure on the market of the supply of goods ensures a lowering of prices.

And, finally, the third point of the balance is the structural balance of the economy. To put it simply there should not be in the economy a relationship among the sectors which fits the proverb: stuff today and starve tomorrow. Quantitative and structural balance is a steady flow of goods and services from the producer to the consumer and the competition closely related to it.

A Farmer Without a Plow Is Not a Farmer

In elaborating a program for the development of entrepreneurship and individual farming we should keep in mind that the success or failure of the matter depends on a true accounting of three important factors: socio-ethnic, economic-political, and managerial-technological (khozyaystvenno-tekhnologicheskiy).

Under the first factor we mean primarily moral and psychological readiness, if you want—the maturity of public consciousness. Is it able today to accept or take away entrepreneurship, which we did during the years of totalitarian government by a swear-word. Neighbors, fellow villagers, and fellow-countrymen can be found among the "collective" persecutors of everyone who tries to start an independent working life. Forceful methods of imposition will intensify social tension and can lead to conflicts.

The economic-political factor is defined by the system of economic laws and institutions which open up the various alternative methods of economic development and the system of power-wielding opportunities which guarantee the undeviating observance of these laws and the effective operation of all institutions.

Finally, in no way can one rule out the third, managerial-technological factor. Do we have a stock of new technologies, machines and managerial underpinning on a broad scale? No program whatsoever can be adopted for implementation in specific conditions if there are not all three of the above-named prerequisites.

The labor of a peasant on "his own" land will be enslaving and inefficient if he does not have the minimally necessary managerial underpinning and equipment. The television progaganda of a "free" farmer with a plow is immoral.

In the absence of the minimally necessary means of production entrepreneurship spills out into so-called trade-purchasing activity and essentially into speculative enrichment.

It Is No Sin To Listen to One Another

The "professional economists" N. Shmelev, Ye. Gaydar and others, while propagandizing strengthening the ruble as the chief method for getting out of the crisis, do not miss an opportunity to beat up on "the technocrats" for a troublesome striving to produce "more flatirons and tights."

In this setting of the "professional economists" against the "technocrats" there is manifested a shifting of purposes which is dangerous for an upsurge in the country's economy. One can argue about alternative ways of raising the economy, but the specific priorities of both and of the government must be unified. The choice of development priorities is the result of the coordinated creative activity of professionals of three levels.

The sphere of the professional practical worker is the development of the sociopolitical infrastructure and of a guarantor of power for the conducting of radical reforms.

The sphere of the professional economists is development of the socioeconomic infrasatructure and of a macrolevel of control of economic development which induces producers to increase the volumes of the output of priority products and the export of science-intensive output.

The sphere of the professional technocrats is the technological infrastructure and the microlevel of the control of economic development.

The active creative interaction of the three levels of control guarantee the adoption of high-quality decisions with respect to getting out of the crisis and to efficient development.

Concealed and Arguable Truths

1. A large diversified modern enterprise always functions more efficiently than a small one.

The effect of scale is manifested in the possibilty of conducting fundamental and applied scientific research work and establishing development standards, in the possibility of carrying on comprehensive development work encompassing the entire cycle of the creation, production, use and salvaging of a marketable product. Only large firms have the potential of resources available for rapid innovational processes. The effectiveness of a small enterprise is manifested if it works in the interests of the large enterprises or is supported by the large one. The adoption by civilized governments of laws limiting the scale of activity of large enterprises stems from their high efficiency which is capable of squeezing out of the market and utterly ruining small competitors. This inevitably turns into social conflicts. The effect of scale operates in all spheres of the economy, including agriculture.

It is time for us to put an end to the spontaneous wavering: "Enlarge! Create Concerns!" "Break Up Into Smaller Units!" et cetera, et cetera. The truth, apparently, is in the rational combination of the large and small and in their socio-economic balance.

2. Land to the peasant—that's true. But! The plot of land should border upon the farmstead since only in this case is the time and labor intensity of work on the land minimized. But this means that one needs to break up the village, resettle the private owners, and restrict to the limit the possibilities of the association of children, young people and old persons. For this group of village dwellers contact with persons of the same age is the chief condition of social comfort. The central farmstead of a well-organized and rich (necessarily highly profitable and not overfed by subsidies) collective farm is a not bad solution of this problem. And one cannot brush it off. It is!

3. The policy of perestroyka was proclaimed without a clear conceptual model of the development of social unity. And what is more the need for the development of a system of conceptual models was denied at the upper levels of administration. The lack of a working hypothesis is the lack of a strategy and the lack of a strategy is, in essence, the flow of uncontrolled events that we have observed in recent years. The problem of developing a system of conceptual models with the adoption of "basic trends" has not disappeared. And what is more, only through the creation of a mechanism for drawing up conceptual models which encompass all spheres of the development of social unity can one achieve the shortest route for leading society out of a profound crisis.

4. Radical economic reform is impossible without the moral and psychological perestroyka of the people, without a qualitiative modernization of skills—from the worker to those controlling the upper echelon. The demand for the quality of the economic leaders—from the minister to the work superintendent—is especially important.

The universal shortage of managers with up-to-date training who have command of a methodology for controlling the development of the technological infrastructures of the economy is the most acute of all shortages. The notion that the collective of a large enterprise, having become the owners of shares, will be able to hire leaders capable of bringing the enterprise to high levels of active competitive activity is very naive. The problem of the multiplicity of paths of development under market economy conditions cannot be resolved by the method of voting, in the style of a professional meeting.

5. After long decades in the procrustean bed of the directive forced economy, the economic freedoms given suddenly to every citizen will give rise at first to an uproar of consumerist and greedy instincts. One will not succeed in skipping this stage given the present moral crisis in society, which has not at all been engendered by perestroyka but which was passed on to it by inheritance. We won't overcome the primitivism, injustice and unemployment which accompanies this demolishing of the order of things without defense mechanisms created from the beginning.

6. The intensive and effective providing of information to society reduces spontaneity in the present-day market economy of the West to a minimum. The link of the manufacturer with the consumer permits one to know the dynamics of the need and demand of each person, each family. While leaving the function of objective price determination for the market, the state should create the informational and analytical base for the market economy and on its basis limit the social costs, including competitive excess.

Two Sisters—The Lie and Ignorance

Pluralism is a good thing, an element of developed democracy. However, one needs to, and one can, speak about the pluralism of truth, about the pluralism of ignorance, about the pluralism of the lie.

The pluralism of truth gives rise to a multiplicity of approaches, a diversity of aspects, and a depth of the public consciousness of complex phenomena in politics and economics. World-view priorities are formed in the public consciousness which also ensure assent in society and the political stability without which the conducting of profound and even dramatic reforms of the entire structure of our life is inconceivable.

The pluralism of ignorance gives rise to intolerance of the opinion of those who think differently, hinders the positive development of public consciousness and paralyzes opportunities for social transformations.

The pluralism of the lie deforms public consciousness to the side of forming a social consensus on the basis of

false goals and thereby gives rise to a destructive principle in social dynamics. Any mass bloodshed begins with a lie.

The present condition in our society is characterized by a scarcity of the pluralism of truth, an excess of the pluralism of ignorance and an aggressive and growing flow of the base and insidious lie.

Democratic transformations, glasnost, the expansion of the political rights of the citizens, and the strengthening of sovereignty of the peoples has opened up command channels for the people. But what are they being filled with? Aggressiveness, ambition, maliciousness and militant incompetence have rushed into these channels. The dignity of the individual is being trampled upon. The fear and uncertainty of the majority at the aggressiveness of the minority have increased. Political corrections of the process of democratization are needed.

What Is One To Begin With?

Thus, the logic of the arguments has led us to a somber, although also clear, conclusion: neither civilized competitive market regulation, nor civilized entrepreneurship, nor civilized individual farming, nor the free convertibility of the ruble is possible without filling the production structures with modern efficient technologies and equipment capable of producing goods that meet world standards.

What is to be done? What is one to begin with?

We think that the spontaneity of the market, with its flow of uncontrolled events, must be counterbalanced by a strategy of goal-directed development. A combination of strong governmental regulation with the high business activity of the population is required. As in South Korea for example. And one needs to begin with the creation of an effective state system of strategic control of the development of our social unity with the absolute priority of a person's social protection.

The intellectual potential of the people should be concentrated in the system of strategic control of social unity. Not economists, not politicians, not sociologists, etc., but professionals of all directions together, including competent foreign specialists. We think that strategic control should be formulated on the unity of three levels of planning: strategic, tactical and operational.

The strategic level of planning should secure the choice of priority development goals, the evaluation of necessary and accessible compound resources and the establishment of organizational-administrative structures capable of ensuring the fulfillment of the strategic plan. The tactical level must ensure a comprehensive balancing of "decisive measures" in space and time. And, finally, operational planning must ensure the effective daily specific activity of a great number of performers with respect to the realization of the phased achievement of ultimate goals.

Thus, the first thing: genuine science and true professionalism—to the head of perestroyka! A state network of intellectual support of development is needed to reduce to a minimum the mistakes and absurdities which abound in all spheres of the activity of our society and to synthesize optimal solutions.

The second proposal is the activization of an investment policy in the production of consumer goods.

A state scientific-technical and production-technological network should be created for the top priority support of civilized entrepreneurship in the spheres of "high technologies" of industry and in agriculture. As yet the state has neither the funds nor the time for the uniform and proportional development of all directions.

There is one more priority direction: to create large-series production units for the output of ecological equipment on the basis of the accelerated development of an innovative investment potential. Our Rotor Association (Cherkassy) has come forward as the initiator of the creation of the major consortium "Ekoprom" which will take on its shoulders part of the painful problems of ecologically harmful production processes. Already over a period of several years one can achieve the cleaning up of industrial discharges. The newest technologies exist which one needs to put "on stream."

In conclusion we consider it necessary to recall the words of Academician Legasov: "It will be an illusion to think that economic methods for managing the national economy alone will solve all our problems. Along with these and perhaps even over them there must operate a general staff of perestroyka which develops and continuously corrects the scenario for the transition from an industrial to a technological society."

PLANNING, PLAN IMPLEMENTATION

Decree on Formation of Hard Currency Funds

914A0294A Moscow EKONOMIKA I ZHIZN in Russian No 1, Jan 91 p 25

[Decree No 1253 of the USSR Council of Ministers, 8 December 1990, Moscow, the Kremlin: "On the Formation of Hard Currency Funds"]

[Text] In order to ensure the implementation of the 2 November 1990 ukase of the USSR president "On Special Procedures for the Utilization of Hard Currency Resources in 1991," and the stabilization of the foreign economic activities of enterprises, associations and organizations in the period of the transition to a market economy, the USSR Council of Ministers decrees:

1. To deem it advisable to base the system of hard-currency deductions in 1991, taking into account the normative rates of hard-currency deductions effective in 1990, on the following basic principles:

—the normative rates of hard-currency deductions are to be determined on the basis of goods: for one and the same good (or work or service), a single normative rate applies;

—a single normative rate is to be established for all types of hard currency;

—the amount of the rate of hard-currency deductions is to be differentiated according to the extent to which a product has been processeed.

2. After the mandatory sale of 40 percent of their hard currency to the USSR Bank for Foreign Economic Activity for the repayment of the USSR's foreign debt, enterprises, associations and organizations that supply export output (henceforth referred to as enterprises), regardless of their forms of ownership or departmental and territorial affiliation, are to allocate to their hard-currency funds in 1991 the earnings received in their accounts from the exportation of goods, work and services in amounts specified in Appendix No 1.

The rates of deductions specified in the aforementioned appendix apply to export operations involving all goods, work and services, regardless of the methods by which the operations are carried out (independently or through middlemen) and the nature of the deals, including sale within the country with payment in hard currency (except for the sale to the state of wheat, legumes and the seeds of oil-bearing crops on terms defined by the USSR Council of Ministers' 8 August 1989 Decree No 620: "On the Provision of Incentives for the Sale to the State in 1989-1990 of High-Quality Wheat, Legumes and Seeds of Oil-Bearing Crops Through Payment in Hard Currency Freed in Connection With the Reduction of Purchases of Grain and Food Abroad," "USSR SP" [USSR Collected Decrees], No 29, 1989, p 123).

The earnings of enterprises from the exportation of goods, work and services do not include the value of the transportation, insurance and expediting of cargo abroad for which the suppliers of export output compensate the shipper, insurer and expediter. The expenses of transport, insurance and expediting organizations for the shipping, insurance and expediting of import cargo are paid by the purchaser of import output. Payments made by the suppliers of export output and the purchasers of import output, as well as by foreign clients, constitute the earnings of transport, insurance and expediting organizations.

3. Taking into account the fact that petroleum-industry enterprises provide the bulk of the country's export earnings, to deem it necessary to set the rate of deductions for the exportation of 61 million tons of petroleum extracted on state order at 60 percent of their hard-currency earnings remaining after the sale to the USSR Bank for Foreign Economic Activity of 40 percent of their hard currency for the repayment of the foreign debt. In this connection, the absolute amount of deductions to enterprises' hard-currency funds (given a world price of 105 rubles per ton of petroleum) is to be no less than stipulated in the USSR Council of Ministers' 4 October 1990 Order No 1667. For the additional exportation of 12.5 million tons of petroleum, the rates of hard- currency deductions are to be set in the amount of 70 percent of total earnings from the delivery of that quantity of petroleum abroad.

4. Following the mandatory sale of 40 percent of their hard currency to the USSR Bank for Foreign Economic Activity for the repayment of the USSR's foreign debt, enterprises carrying out middleman and commercial operations with foreign partners are to allocate the earnings received in their accounts for the conduct of the aforementioned operations to their hard-currency funds in 1991 in amounts specified in Appendix No 2.

The amounts of compensation under commission contracts or delivery contracts for services rendered to Soviet juristic persons are to be allocated in full to the hard-currency funds of enterprises performing middleman operations.

Enterprises are also to deposit in their hard-currency funds the total amount of dividends or income in foreign currency obtained from investments in assets (or securities) or from the placement of moneys in the form of deposits and in other forms, if those dividends and that income have been obtained from the investment of their own or borrowed funds.

Hard currency received by Soviet juristic persons in the form of donations for charitable purposes is deposited in hard-currency funds and utilized in its entirety for these purposes.

5. To establish that relations associated with the reallocation of enterprises' hard-currency funds among them, superior organizations and their subsupplier enterprises are to be on a voluntary contractual basis. On that basis, part of enterprises' hard-currency funds may, in an agreed-upon share, be centralized for addressing branch-wide needs, especially for the development of scientific and technological progress and the export base.

6. Following the sale of 40 percent of their hard currency to the USSR Bank for Foreign Economic Activity for repayment of the USSR's foreign debt, enterprises and transport, insurance and expediting organizations are to sell 90 percent of their remaining export earnings to the Union- Republic Hard-Currency Fund and 10 percent to the hard-currency funds of union republics and local soviets (in proportions set by the union republics).

For the purposes of carrying out joint programs, the moneys in the hard- currency funds of union republics and local soviets may be pooled on a voluntary contractual basis.

7. For the purposes of enhancing the interest of enterprise, regions and union republics in increasing export deliveries, to establish that in 1991 enterprises are to

allocate to their hard-currency funds 60 percent of their earnings from the exportation of output (or work or services) over and above:

—established export assignments;

—contractual commitments for deliveries within the country, including deliveries for meeting state needs, as well as deliveries for export;

—export volumes actually attained in 1990.

The remainder of hard currency is to be sold at the commercial rate with payment in rubles to the hard-currency funds of union republics and local soviets in amounts of 30 and 10 percent, respectively.

8. In the interest of improving the balance of the national economy and regularizing export-import operations, to deem it necessary to suspend the conclusion of barter deals for 1991. Barter deals signed prior to 1 January 1991 are to be carried out on terms and according to schedules stipulated in contracts.

The above provisions do not apply to operations carried out on a compensatory basis, chartering operations, operations in the context of direct ties between enterprises based on cooperative production and technological arrangements, or operations in the context of costal and border trade that are carried out in accordance with international regulations and customs. The USSR Ministry of Foreign Economic Relations, with the participation of the union-republic governments and interested ministries and departments, is to draw up, in one month's time, proposals concerning the criteria for classifying foreign-economic operations as being involved in coastal and border trade or in cooperative production and technological arrangements, and to submit these proposals to the USSR Council of Ministers' State Foreign Economic Commission.

To establish that barter operations (or assortment barter) carried out by enterprises belonging to the systems of the USSR Ministry of Trade and union-republic ministries of trade, or the Central Union of Consumers' Cooperatives, as well as the exchange of producer goods through organizations in the system of the USSR State Committee for Material and Technical Supply, are to be carried out according to procedures established by the USSR government, with the mandatory settlement of accounts through the USSR Bank for Foreign Economic Activity or other banks authorized to do so. The aforementioned procedures may be changed with the consent of the union-republic governments.

9. The union-republic governments or organizations authorized by them are to permit enterprises located within those republics to carry out the purchase of equipment, technologies and licenses with payment to be made on a compensatory basis out of earnings from the exportation the additional output produced as the result of the use of the aforementioned equipment, technologies and licenses in production.

10. The USSR State Bank, with the participation of the USSR Bank for Foreign Economic Activity and other interested banks, the USSR Ministry of Finance and the USSR State Planning Committe, are to draw up and approve procedures:

a) for the mandatory sale by enterprises of hard currency for repayment of the USSR's foreign debt and the formation of the hard-currency funds of union republics and local soviets, and of the Union-Republic Hard-Currency Fund.

b) for the repayment of hard-currency loans obtained in the USSR Bank for Foreign Economic Activity by economic branches and enterprises in accordance with decisions of the USSR government, including Point 17 of the USSR Council of Ministers' 2 December 1988 Decree No 1405 "On the Further Development of the Foreign Economic Activity of State, Cooperative and Other Public Enterprises, Associations and Organizations" ("USSR SP," No 1, 1989, p 7).

To publish materials on this matter in the central press and bring the aforementioned procedures to the attention of all interested agencies of state administration.

11. That the USSR Ministry of Foreign Economic Relations is to provide to the participants in foreign economic activity, on a contractual basis, materials from the Harmonized Commodity Description and Coding System, and with consultations on the system's application.

12. The USSR State Planning Committee, USSR Ministry of Finance and USSR Council of Ministers' State Foreign Economic Commission are to consider questions pertaining to the foreign economic activities of the USSR Ministry of Civil Aviation and individual enterprises and organizations whose normative rates for hard-currency deductions have been determined according to the principles of hard-currency self- financing, as well as questions pertaining to the formation of enterprises' hard-currency funds in the case of export deliveries on terms of state credit, and when necessary are to make approporate proposals to the USSR Council of Ministers.

13. The USSR Ministry of Finance, USSR State Planning Committee, USSR State Bank, USSR Bank for Foreign Economic Activity and USSR Council of Ministers' Chief Administration for State Customs Control, with the participation of the union-republic governments and USSR ministries and departments are, in one month's time, to consider enhancing the incentives for export by reducing depreciation norms, providing credit on favorable terms, reducing taxes on profits, customs tarrifs and taxes on imported output used in export production, and through other measures unrelated to the use of foreign currency, and are to submit proposals on this matter to the USSR Council of Ministers' State Foreign Economic Commission.

14. In connection with the shift in 1991 to the settlement of accounts in freely convertible currency with the CEMA member-countries, the USSR Council of Ministers' State Foreign Economic Commission, with the participation of the USSR State Bank, the USSR Bank for Foreign Economic Activity, the USSR Ministry of Finance and the USSR State Planning Committee, is, within one month's time, to submit for the consideration of the Union-Republic Hard-Currency Committee proposals concerning possible procedures for the further use of moneys in transferable rubles that are not expended by enterprises, union republics and local soviets prior to 1 January 1991.

15. The USSR Ministry of Finance and USSR Ministry of Justice, with the participation of the USSR Ministry of Foreign Economic Relations, the USSR Bank for Foreign Economic Activity, the USSR State Planning Committee and other interested USSR ministries and departments, are to prepare and present to the USSR Council of Ministers proposals on making the changes and additions in existing legislation that stem from this decree.

[signed] N. Ryzhkov, chairman of the USSR Council of Ministers, and M. Shkabardnya, manager of affairs of the USSR Council of Ministers.

Appendix No 1

Rates of Deductions to Enterprises' Hard-Currency Funds From the Exportation of Goods, Work and Services (Following the Mandatory Sale of Hard Currency to the USSR Bank for Foreign Economic Activity for the Repayment of the USSR's National Debt) in 1991 (percentages)

Number and name of section of the Harmonized Commodity and Services Description and Coding System	Rates of deductions to enterprises' hard-currency funds
V. Mineral products	
—petroleum products	35
—coal	40
—gas, electric power	20
—other mineral products (except for petroleum	20
XV. Ferrous and nonferrous metals and their products	30
XIV. Natural and cultivated pearls, precious or semiprecious stones, precious metals, nonprecious metals plated with precious metals, and their products; jewelry, and coins	25
VI. Products of the chemical industry and related industries	25
VII. Plastics and their products; rubber and its products	25
IX. Wood and wood products; charcoal; cork and cork products; products of straw, esparto and other weaving materials; baskets and other woven products	25
X. Paper pulp made of wood or other fibrous cellulose; paper and cardboard byproducts; paper, cardboard and their products	25
I. Live animals and animal husbandry products	70
II. Products of plant origin	70
III. Fats and oils of animal or vegetable origin; the products of their decomposition; prepared nutritive fats; waxes of animal or vegetable origin	70
IV. Products of the food industry; beverages, vinegar; tobacco and tobacco substitutes	70
Alcoholic beverages	30
VIII. Leather raw material, leathers, pelts, fur and pelt raw materials and their products; saddlery and tack; traveling gear, bags and similar goods; gut products (with the exception of silk catgut)	45
XI. Textile and textile products	55
XII. Footwear, headwear, umbrellas, canes, whips, handles and parts of them; processed feathers and products of them; artificial flowers; hair products	55
XIII. Products of stone, plaster, cement, asbestos, mica and similar materials; ceramic products, glass and glass products	40
XVI. Machines, equipment and mechanisms; power-engineering and electrical equipment; sound recording and reproducing apparatus; their parts and appurtenances	70
XVII. Means of ground, air and water transportation, their parts and appurtenances	70
XVIII. Optical, photographic, cinematographic, measuring, control, precision, medical and surgical instruments and apparatus; musical instruments; their parts and appurtenances	70

Rates of Deductions to Enterprises' Hard-Currency Funds From the Exportation of Goods, Work and Services (Following the Mandatory Sale of Hard Currency to the USSR Bank for Foreign Economic Activity for the Repayment of the USSR's National Debt) in 1991 (percentages) (Continued)

Number and name of section of the Harmonized Commodity and Services Description and Coding System	Rates of deductions to enterprises' hard-currency funds
XX. Various industrial goods	50
XXI. Works of art, collectibles and antiques	50
Transportation, insurance and expedition of foreign-trade cargo	40
Services in the area of foreign tourism	50
Services in the area of the design and construction of facilities abroad, communications and information, health care, education, science, culture, sports, the press, radio and television, environmental protection and other areas, including the sale of licenses and know-how (except for that enumerated above)	70

Notes:

1. Rates of deductions for the exportation of petroleum products have been recalculated taking into account the sale to the USSR Bank for Foreign Economic Activity of 40 percent of hard currency for the repayment of the foreign debt. In this connection, the absolute amount of deductions from the exportation of petroleum products to enterprises' hard-currency funds should not be less than stipulated in the USSR Council of Ministers' 4 October 1990 Order No 1667.

2. Rates of deductions to enterprises' hard-currency funds for the sale of gold on the external market are set separately.

Appendix No 2

Rates of Deductions to Enterprises' Hard-Currency Funds from the Conduct of Middleman and Commercial Operations With Foreign Partners (Following the Mandatory Sale of Hard Currency to the USSR Bank for Foreign Economic Activity for the Repayment of the USSR's National Debt) in 1991 (percentages)

Name of operations	Rates of deductions to enterprises' hard-currency funds
Discounts or commissions obtained on the basis of bonus agreements (or contracts)	50
Expedition of freight	40
The performance of the coordinating functions of the chief organization (leader) of a consortium in the construction of facilities abroad	25*
Operations in stock and commodity exchanges, the re-exportation of output not specified in established export assignments	50*
Warranty of the proper performance of various financial obligations (del credere), the insuring of foreign-economic risks associated with the fulfillment of contracts, including extension of the periods of the warranty repair of delivered machines, equipment and instruments	20*

*Of the amounts by which receipts exceed payments

INDUSTRIAL DEVELOPMENT, PERFORMANCE

Ural Defense Enterprise Managers Discuss Conversion Problems

914A0266A Moscow EKONOMIKA I ZHIZN in Russian No 52, Dec 90 p 8

[Article by EKONOMIKA I ZHIZN staff correspondents G. Saitov and V. Semenov under the rubric: "Conversion:" "The Local Version, *or How They Are Beating Swords Into Plowshares in the Urals"*]

[Text] *The gray Urals forge victory... Everyone is familiar with the wartime picture with that name. A striking canvas, it cannot be denied—a gray-eyed and gray-haired old man (the Urals, in the idea of the creator) with a sword in one hand, lying on edge on an anvil, and in the other a hammer poised to strike.*

The history of this ancient region was written under the symbols of the sword and shield for many years. The stereotypes of the cold war that held mankind in its harsh fetters, however, have clearly been receding into the past in recent years.

The role of the Urals—one of the country's leading arsenals—is also changing under these conditions. The problem of converting the defense industries—their conversion to the output of civilian products—is moving onto the agenda. The very same products that are so scarce on the shelves of our stores.

A Panacea Found?

A session of the President's Council of the USSR chaired by M.S. Gorbachev was held at the end of September. The state program of conversion of the defense industry for the period to 1995, as is well known, was considered at it. Recall that it envisaged bringing the output of

consumer goods to 270 billion rubles in the coming five-year plan. That is almost twice as much as the 12th Five-Year Plan.

It must be said that the Urals are being called upon to shoulder no small portion of that total. The last year was the first of real conversion for it. It was then that more than thirty enterprises of Sverdlovsk Oblast completed their plans on that theme. They were analyzed by specialists from the Institute of Economics of the Urals Division of the USSR Academy of Sciences. And what the scholars found was that the organization of the output of consumer goods without substantial changes in the production profiles of the plants lies at the heart of the plans. It was ascertained in passing that despite the planned high rate of increase in the output of civilian products, their increase in 1990 will not make up for the reduction in the amounts of the special defense products. The majority of the enterprises, in short, were not able to formulate a line of consumer goods that would provide for the receipt of profits in the pre-conversion period. It was estimated that losses would total 122 million rubles at just 13 of the enterprises in the first two years of conversion.

The situation is similar in Chelyabinsk Oblast as well. The head of a department at the party obkom, Yu. Karavanskiy, describes it this way: "The increase in consumer goods in the defense sector of industry in Chelyabinsk Oblast in 1990 should comprise 130 percent of the level of the prior year. They will not, however, be able to cover the decrease of 15-20 percent in defense-product output at a number of enterprises. The labor expenditures will remain as before."

The reason for this is concealed in the varying cost expressions of the standard-hour for civilian and military products. This situation entails a worsening of the economic condition of the enterprises under the conditions of economic accountability and self-financing.

The situation is further complicated by the fact that the country essentially has no thorough conceptual scientific framework for the emergence and development of conversion. This is while the mechanism for its implementation has been worked out, for example, in the United States. And that is understandable—they have been profoundly occupied with the problems of conversion overseas, after all, since the 1960s. Columbia University professor S. Melman has established, in particular, that a minimum of two years is required in order to plan the conversion of an enterprise, determine product lines, establish contacts with dealers and prepare production. A minimum! And that, you will note, is under the industrial conditions of the United States, the good organization of which needs no recommendation.

We are not reminding our readers of foreign experience for nothing. It is no secret, after all, that the impression is still current in public opinion that the enterprises in the defense complex need only get on with conversion, and the scarcity of goods will vanish instantaneously. Far from it, especially if you take into account that the first steps on that thorn-filled path have been distinguished by empty bustling, shallow thinking and, frequently, passivity.

Games for Adults

A business-problem game was held at one of the enterprises in the defense complex of Sverdlovsk Oblast at the initiative of the Institute of Economics of the Urals Division of the USSR Academy of Sciences. It envisaged uncovering the opinion of specialists that are professionally engaged in preparing and carrying out conversion in particular.

And to what did the results testify? It was ascertained that only two thirds of those polled were familiar with the conversion program of their own enterprise, and many specialists had no information whatsoever.

An expert evaluation of the circumstances hindering the launching of conversion was done using a five-point system. The lack of preparedness of production for the mass output of civilian products was valued at 4.6 points. A lack of determination by the administration received 4 points. Ministry subsidies—which, in the opinion of the specialists, immobilized the labor collective's search for ways of getting by—were also evaluated negatively by the specialists.

Many of the defense-industry people of Chelyabinsk Oblast, meanwhile, adhere to the same opinion. We cite a portion of a roundtable discussion that was held by the Chelyabinsk party obkom in this regard:

V. Kochnev, director of the Plastmass plant (city of Kopeysk): "We received a subsidy in 1990 as the result of the removal of the special products. What do I need that for? If we are going into the market, we should set our price and sell the goods like all other normal countries. Work up some profitability..."

Yu. Karavanskiy: "That's it—'work it up!'"

V. Kochnev: "But within reasonable limits."

Yu. Karavanskiy: "If they let you..."

The business-problem game also researched such a topical issue as where to put the personnel that are freed up in the course of conversion. There is, by the way, a prediction on this score: the decrease in labor expenditures for the output of military hardware will lead to the release of almost 13,000 workers in the basic professions at more that thirty defense enterprises in the Central Urals in 1995.

Defense-industry people feel that the long-term conversion program should have a section on the movement of workers within the enterprise and their training for new product lines. Everything is not that simple, however. And one of the roundtable participants at the Chelyabinsk party obkom, the general director of the Signal Production Association, N. Vikhorev, was pointing that

out: "The people who were putting out the special products will not always be able to make good refrigerators or good furniture. We even have a pyrotechnical expert. You could build a monument to him while he's still alive, but he will never be a good furniture maker. And if full conversion signifies the complete replacement of people, then we will get a most ordinary and commonplace enterprise as a result..."

A gloomy prospect, it cannot be denied. But be that as it may, we must find a way out of the current situation. The retraining of workers and managers is, in reality, one of the chief problems of conversion. The acquisition of the new thinking by the latter, in the opinion of the deputy director of the Institute of Economics of the Urals Division of the USSR Academy of Sciences, Doctor of Economic Sciences V. Zadorozhnyy, should lead to the formation of a "critical mass" of innovators.

Why is it needed?

"Because the authoritarian and order-giving style of management had become firmly established at the defense enterprises by virtue of their specific features. The move to conversion, meanwhile, forces executives to make decisions based on variations, frequently without any pointers from above.

"What path do we take here? Training one-by-one is inefficient. For the simple reason that, when returning after their schooling, they will fall into an atmosphere of administrative stereotypes, and will thus be unable change the routine style of management. This also testifies to the fact that the retraining of management personnel is most expediently accomplished in 'modules.' Imagine if, say, the head of a major subdivision, the industrial engineer, the economist, the norm-setter etc. obtain the special knowledge at the same time. This core of like thinkers will become an energetic force, able to topple management stereotypes. It has also been proven by experience that the innovators can gain a 'critical mass' when at least a tenth of the specialists come over to the new thinking."

Plus Commerce

It cannot be denied that conversion has posed complex tasks for many enterprises of the defense complex. Now, after all, they have to assess independently the technological feasibility, economic expediency and commercial stability of new orders in the civilian field. The enterprises of the military-industrial complex, meanwhile, did not know these problems before. And this, to put it in all candor, is one of the most vulnerable spots in the domestic defense industry, the greater portion of which, as they say, is tied up with the output of special products.

This is at the same time as only four enterprises in the United States had a proportionate share of military production over 80 percent at the beginning of the 1980s. The remaining firms—the subcontractors in the military-industrial complex—were and are putting out a broad line of civilian products along with the military hardware. Our defense industry disregarded this experience. That means that it is itself condemned to cut the tangled knot of conversion problems. How?

The Institute of Economics is proposing "two-tiered" economics for the enterprises being converted. The first tier is work on the traditional terms of the existing system, aimed at ensuring the special deliveries and civilian products. The prices, subsidies and overhead should remain at the pre-conversion level of 1988.

The second tier is work according to market laws. All products that are produced under the conversion program are sold at market prices. The additional products should moreover be taxed according to favorable standards. The enterprises, obtaining profits from this setup, will have an opportunity to direct them toward accelerating conversion.

All of this, in the opinion of the Urals scholars, will make it possible to stabilize the operations, social climate and morale of the enterprises being converted. The output of consumer goods will increase and the standard of living will rise as a result, both from the increase in wages and from the opportunity for additional "things to buy." And, what is especially substantial, experience will be obtained in the functioning of the economy under the conditions of its self-regulation.

However well the conversion has moved along at an enterprise taken separately, however, its true success depends largely on coordinating the efforts of the defense industry at the all-union and regional levels. But that is just what is lacking today. Here is what the chief engineer of Uralgiprotyazhmash [Ural State Institute for the Planning of Heavy Machinery] (city of Sverdlovsk), B. Kozin, says on that score: "It gives one pause that many executives are beginning to sing the age-old song that now they have to develop the documentation for the most modern of devices, and only then send it off into production. But tell me, why do they have to invent the same vacuum cleaner? A pretty good vacuum cleaner, in my opinion, has long been produced by Uralelektrotyazhmash [Ural Heavy Electrical Machinery Plant] in Sverdlovsk. There is even a new model now—the Ural-3. It is so much easier to buy the finished documentation, technology and experience and chase the products out, to the delight of the consumers. That will, after all, accelerate its appearance on the shelves by one or two years. And when an ordinary vacuum cleaner ceases to be a marvel, we can think about a robot vacuum and even compete a little with America itself..."

Just so. But that is only one side of the problem of a lack of coordination of efforts among the Urals defense plants; the other is reduced to the fact that they often do not inform each other of their intentions. Here is an example. Three enterprises in Sverdlovsk Oblast have now launched preparations at once for the production of household washing machines, 120,000-125,000 a year each. It must be taken into account herein that Uralmash is already putting out half a million of them, and intends

to double its capacity. And now the hitch arises—the demand for washing machines has not even been studied in the Urals, never mind the whole country. How can there not be an overstock with that kind of distribution? That is not yet threatened, true, but we must think about the future as well, after all.

The conversion of enterprises must consequently be pursued in close interaction in order not to reinvent the bicycle and not to over-saturate the market with two-wheeled vehicles. One might ask, in this case, why we do not create a Urals center to assist in conversion, an association of the enterprises being converted? That is the variation being proposed by the scholars of the Institute of Economics.

A marketing center, a training center, a brokerage firm for contacts with the representatives of foreign firms, a database of the scientific and technical achievements of the enterprises being converted, a database on production capacity that has been freed up and a base of orders for defense enterprises could all be created as part of the association.

Also under consideration is the idea of creating a trading hall in the association where auctions of scientific and technical developments by enterprises in the defense complex, competitions for orders from civilian sectors and trading organizations, business negotiations with the representatives of foreign firms, the training of managers and consulting and servicing support for the adoption of scientific and technical developments by the enterprises in the association could all take place.

We thus have the right to note, in integrating the considerations of the scholars and the specialists on the ways of converting the defense enterprises to the output of civilian products, that a Urals version of conversion exists! A state program of conversion, however, is needed nonetheless in order for it to be realized more successfully.

POLICY, ORGANIZATION

RSFSR Legislation on Ownership Issued

Text of Law

914A0305A Moscow SOVETSKAYA ROSSIYA in Russian 10 Jan 91 First Edition pp 1, 3

[RSFSR law enacted by the RSFSR Supreme Soviet on 24 December 1990 in Moscow and signed by B.N. Yeltsin, chairman of the RSFSR Supreme Soviet]

[Text]

Section I. General Provisions

Article 1. **Legislation on Ownership in RSFSR**

1. On the territory of RSFSR, relations concerning ownership of land, other natural resources, machines and equipment, consumer goods, and other property are regulated by laws of RSFSR and of the republics which are components of the Russian Federation, and by enactments of local soviets of people's deputies issued within the limits of their competence.

All actions by bodies of government and administrative agencies, participants in economic relations, and other persons which are contrary to the state sovereignty and economic interests of the Russian Federation and the republics which are part of it are prohibited and declared null and void.

2. Relations pertaining to ownership not envisaged by the present Law are regulated by the RSFSR Civil Code and other legislative enactments of RSFSR, as well as by legislative enactments of the republics which are part of RSFSR and enactments of local soviets of people's deputies issued within the limits of their competence.

3. Union legislation concerning ownership is applied on the territory of RSFSR in accordance with the procedure envisaged by the RSFSR Law on Effect of Enactments of Bodies of the Union of SSR on the Territory of RSFSR.

4. Property rights and personal nonproperty rights of originators of discoveries, inventions, and efficiency proposals are guaranteed and protected by the Law. Relations concerning the creation and use of works of science, literature, and art, discoveries, inventions, efficiency proposals, industrial designs, computer programs, and other pieces of intellectual property are regulated by copyright law and other enactments of civil legislation, and also by intergovernmental agreements.

Article 2. **Right of Ownership**

1. The right of ownership in RSFSR comes about in accordance with the procedure and under the conditions envisaged by legislative enactments of RSFSR. The right of ownership is recognized and protected by law in RSFSR.

The stability of property relations is guaranteed in RSFSR, and the conditions of their development and protection are safeguarded.

2. The owner possesses, uses, and disposes of the property belonging to him at his own discretion.

The owner may convey his powers concerning possession, use, and disposition of property to another person, may use property as security or may burden it in some other manner, may convey the ownership of his property or management of it to another person, and he also has the right to perform with regard to his property any actions which are not against the Law. He may use property to engage in any entrepreneurial or other activity not prohibited by law.

3. Property may be under private ownership, state ownership, or municipal ownership, and it may also be under ownership of public associations (organizations).

The state is not permitted to establish in any form whatsoever restrictions or advantages in exercise of the right of ownership as a function of whether the property is under private, state, or municipal ownership and ownership of public associations (organizations).

4. Enterprises, property complexes, parcels of land, mining concessions, buildings, installations, equipment, raw materials and supplies, money, securities, and other property for production, consumption, social welfare, cultural, and other purposes, and also the products of intellectual and creative work may be objects of the right of ownership.

Works of science, literature, art, and other forms of creative activity in the sphere of production, including discoveries, inventions, efficiency proposals, industrial designs, computer programs, databases, expert systems, know-how, trade secrets, trademarks, corporate names and service marks are items of intellectual property.

5. The right of ownership of property located on the territory of RSFSR is protected by the Law regardless of where the owner is located.

The right of ownership of citizens of RSFSR, of juridical persons, the state, local bodies of government, and self-government to property located outside the Russian Federation is recognized and protected by law in RSFSR.

6. The results of economic and other use of property, including products produced, but also the fruits and other income from use of property belong to the owner of that property unless the Law or the owner's contract with another person provides otherwise.

7. The owner bears the burden related to maintenance of the property that belongs to him and also the risk of its accidental loss or accidental spoilage, unless the Law or contract provides otherwise.

8. In the cases, under the conditions, and within the limits envisaged by law, the owner may be required to allow only limited use of his property by other persons.

9. Exercise of the right of ownership must not violate the rights of other persons and their interests protected by law.

The damage an owner inflicts as a consequence of abuse of his monopoly or other dominant position, because of the use of unfair business practices (unfair competition), and because of performance of other actions infringing the rights of other persons and their interests protected by law is subject to full reimbursement.

In exercise of his right, the owner must take steps to prevent its inflicting damage on the health of citizens and the environment.

Article 3. **Pooling of Property by Owners**

1. It is permitted to pool properties under private, state, and municipal ownership and ownership of public associations (organizations), unless law provides otherwise.

2. On the basis of common (collective) ownership, property may belong simultaneously to several persons, and the shares of each of them may be fixed (shared ownership) or not fixed (joint ownership). The possession, use, and disposition of property owned in common are performed by agreement among all the owners, and in the absence of such agreement, they are established by the court, by the State Arbitration Commission, or by a treaty court on the suit of any of the owners.

3. A participant in common shared ownership has the right to withdraw his share, and a participant in common joint ownership has the right to demand that his share be determined and withdrawn.

4. When a share in common property is sold to an outside person, the other participants in common shared ownership have the option to purchase the share being sold in accordance with the procedure and under the conditions established by legislation of RSFSR and of the republics which are part of the Russian Federation, and by the bylaws of the juridical person.

Article 4. **Work and Ownership**

1. The individual possesses the exclusive right to dispose of his abilities to work.

The individual exercises that right independently or on the basis of a contract.

2. In the conduct of entrepreneurial activity or other activity not prohibited by laws of RSFSR, the owner has the right to conclude contracts with individuals concerning use of their work. The individual has the right under current legislation to a share of the income realized as a result of the use of his labor.

The individual has the right, with the owner's consent, to make an investment in the property of the enterprise where he works for a wage and to obtain a portion of the profit of that enterprise in proportion to the size of his investment.

The owner or enterprise he creates, when they are using an individual's labor, guarantee him remuneration corresponding to his personal contribution of work, and other working conditions, as well as other socioeconomic guarantees envisaged by legislation of RSFSR and the employment contract, regardless of whether the individual has made an investment in the property of the given enterprise.

Article 5. **Material Rights**

1. In the cases established by law and also in other cases as the owner sees fit, other persons may be endowed with the rights of possession, use, and disposition of his property and may exercise those rights within the limits envisaged by law or the owner of the property.

Persons using an owner's property under the conditions mentioned for economic or other purpose are vouchsafed those same guarantees as to protection of their rights and interests as the owner, unless legislative enactments of RSFSR provide otherwise.

2. The owner may assign property that belongs to him to an enterprise he has created, which possesses the right of full economic management.

In exercising the right of full economic management of the property assigned to it, the enterprise possesses, uses, and disposes of that property and performs toward it any actions not contrary to law. The rules concerning the right of ownership apply to the right of full economic management unless legislative enactments or a contract between the enterprise and the owner provide otherwise.

The owner or person authorized by the owner to manage his property, in accordance with law and articles of incorporation of the enterprise, decide the questions of creating an enterprise and defining the goals of its activity, its reorganization, and liquidation, and they monitor the effectiveness of use and preservation of the property entrusted.

The owner is entitled to receive a portion of the profit from use of property which he has turned over to an enterprise in the proportion stated in the contract between the owner and the enterprise. Disputes arising as to determination of that share are settled in the courts, by the State Arbitration Commission, or by a treaty court.

3. Property which the owner has assigned to state and other institutions financed from the resources of the owner is under the operational management of that institution, which it conducts within the limits established by law, in accordance with the purposes of its activity, the assignments of the owner and the purpose of the property, and the right of its possession, use, and disposition.

Owners of property assigned to an enterprise have the right to take away that property or redistribute it among other juridical persons he has created at his own discretion, unless otherwise established by legislation of RSFSR and the republics which are part of the Russian Federation.

4. Institutions carrying on entrepreneurial activity with the owner's consent acquire the right of independent disposition of income from that activity and of the property acquired with that income in the cases envisaged by legislation of RSFSR.

Article 6. **Ownership and Other Material Rights to Land and Natural Resources**

1. Land, minerals, water, and flora and fauna are the property of the peoples living on the respective territory, and—pursuant to the laws of RSFSR and the republics which are part of the Russian Federation, they come under the direction of soviets of people's deputies.

2. Parcels of land may fall under private, state, or municipal ownership and ownership of public associations (organizations) or their possession and use may be granted to an individual, juridical person, or state, nation-state, and administrative-territorial structures in accordance with the RSFSR Land Code and legislative enactments of RSFSR and the republics which are part of the Russian Federation.

3. Mining rights for exploration and development of deposits of minerals are the property of the state and may be conveyed to the possession or use of an individual or juridical persons in accordance with legislative enactments of RSFSR and the republics which are part of the Russian Federation.

4. Alienation of parcels of land and mining rights by their owners is permitted if the conditions envisaged by legislative enactments of RSFSR and the republics which are part of the Russian Federation are observed.

5. Parcels of land and mining rights may be pooled by their owners, possessors, or users for joint activity, and parcels of land and mining rights may also be possessed, used, and disposed of under common ownership, common management or use, provided the conditions envisaged by Point 3 of this article are observed.

6. Other material rights to parcels of land and other natural resources are granted and exercised in the cases and according to the procedure envisaged by legislative enactments of RSFSR.

Article 7. **Acquisition and Termination of the Right of Ownership**

1. An individual or other person, unless law or contract provides otherwise, acquires the right of ownership to property he has acquired on grounds that are not against the Law, to things he has created or essentially reworked, to products, yields, and other income he has obtained from use of property belonging to him, and also from use of natural resources or other property, although it does not belong to the person in question, but has been granted to him in accordance with law or contract for those purposes.

2. The right of ownership of someone acquiring property occurs from the moment the thing is conveyed unless law or contract provides otherwise.

3. An individual or juridical person who is not the owner of property, but has openly and honestly possessed it as the owner of real estate for at least 15 years, or other property for at least five years, acquires the right of ownership to that property.

4. Termination of the right of ownership against the owner's will is not permitted except in cases when that property is attached because of the owner's obligations, in the cases and according to the procedure envisaged by legislative enactments of RSFSR and the republics which are part of the Russian Federation, and forcible alienation of property which may not belong to the owner in question because of law, requisition, or confiscation.

In cases of natural disasters, accidents, epidemics, epizootics, and other circumstances extraordinary in nature, property may be taken from an owner in the interests of society by decision of government bodies in accordance with the procedure and under the conditions established by legislative acts, including paying him the value of the property (requisition).

In the cases envisaged by legislative enactments, property may be taken from an owner by decision of a court, the State Arbitration Commission, or other authorized government body (official) as a penalty for committing a crime or other violation of law (confiscation).

If property is covered by private, state, or municipal ownership and ownership of public associations (organizations) on grounds permitted by law when that property may not belong to the owner under the Law, it may be taken away within one year unless other periods of time are envisaged by legislative enactments of RSFSR and the republics which are part of the Russian Federation. If the property is not alienated by the owner within the period specified, by decision of the court it is subject to confiscation, whereupon the owner is reimbursed the value of the property after deduction of the costs of its confiscation.

Article 8. **Attachment of an Owner's Property**

1. An individual is liable for his obligations to the extent of the property he owns.

A list of an individual's property which may not be attached to satisfy the claims of creditors is set forth in the RSFSR Civil Procedural Code.

2. The owner or founder of a juridical person is not liable for obligations of juridical persons he has created, nor is a juridical person liable for obligations of the owner or founder, with the exception of the cases envisaged by this

Law, other legislative enactments, or the articles of incorporation of the juridical person.

3. Any property belonging to a juridical person under the right of ownership or full economic management may be attached to satisfy claims.

A state institution or other institution is liable for the obligations to the extent of the money in its possession. In case of insufficiency of the funds of the state institution or other institution, the owner of the property in question is liable for its obligations.

4. Undisputed recovery to satisfy indebtedness representing obligations of owners to the state, including indebtedness pertaining to payments into the budget, is permitted in cases envisaged by legislative enactments of RSFSR. If the owner disagrees with the decision calling for that attachment, he has the right to sue before a court or the State Arbitration Commission.

Section II. Right of Private Ownership

Title 1. The Individual's Right of Ownership

Article 9. **General Provisions Concerning the Individual's Ownership**

1. The property of an individual is created and augmented by virtue of his income from participation in production and other disposition of his work abilities, from entrepreneurial activity, from the running of his own farm or other economic establishment, and income from funds invested in credit institutions, stocks, and other securities, from acquisition of inherited property, and on other grounds which are not against the Law.

2. The right of inheritance of an individual's property is recognized and protected by law.

Article 10. **Categories of Private Property**

1. The following may be owned by an individual:

- parcels of land;
- dwellings, apartments, weekend cottages, garden houses, garages, household effects, and personal effects;
- money;
- stock, bonds, and other securities;
- the news media;
- enterprises, property complexes in the sphere of production of commodities, everyday services, trade, or other sphere of entrepreneurial activity, buildings, installations, equipment, vehicles, and other machines and equipment;
- any other property for purposes of production, consumption, social welfare, culture, or other purpose, with the exception of certain types of property envisaged in legislative enactments which for reasons of state and public security or in accordance with international obligations may not belong to an individual.

2. The quantity and value of property acquired by an individual in accordance with law or contract are not limited.

Article 11. **The Right of Ownership of an Individual Engaging in Entrepreneurial Activity**

1. An individual may use property that he owns for entrepreneurial activity without forming a juridical person for that purpose. The property of members of a family and other individuals which they use for joint entrepreneurial activity, the products produced, and the income realized belong to them under common shared ownership unless the contract among them provides otherwise.

2. If an individual assigns his property to an enterprise he has created, he acquires the rights envisaged by Article 5, Point 2, of this Law.

3. An individual may engage in entrepreneurial activity, using his property as his investment in business companies and partnerships, cooperatives, collective and other enterprises, and other associations of individuals and juridical persons.

Article 12. **The Right of Ownership and the Right of Possession of Parcels of Land**

1. An individual has the right to acquire parcels of land under the right of ownership or possession in order to carry on agricultural production and also to build a dwelling, for fruitgrowing, and market gardening.

The products produced and income realized on those parcels are the property of the individual, and he uses them at his own discretion.

2. Parcels of land for purposes not envisaged by Point 1 of this article may be assigned to an individual for possession, and in the cases and under the conditions envisaged by legislative enactments of RSFSR and of the republics which are part of the Russian Federation, they may be conveyed to their ownership.

Article 13. **The Individual's Right of Ownership of an Apartment, House, and Other Space and Structures**

1. An individual who owns an apartment, house, weekend cottage, garage, or other space and structure has the right to dispose of that property at his own discretion: to sell it, bequeath it, lease it, and conduct other transactions with it which are not against the Law.

2. A member of a housing cooperative, housing construction cooperative, weekend cottage cooperative, or garage cooperative, a fruitgrowing and market gardening partnership, or other cooperative who has paid his entire share for the apartment, weekend cottage, garden house, garage, or other space or structure granted to him for use acquires the right of ownership to that property.

An individual who under contract with the owner or as his heir has acquired ownership of such structures or

space is enrolled as a member of the respective cooperative upon that individual's application.

3. The renter of housing space in a building of the state or municipal housing stock and members of his family have the right to acquire ownership of that apartment or house by purchasing them or on other grounds envisaged by legislation of RSFSR and the republics which are part of the Russian Federation.

Title 2. Ownership Right of Juridical Persons

Article 14. **Property of an Enterprise**

Business companies and partnerships, cooperatives, collective and other enterprises created as owners of property and with the status of juridical persons possess the right of ownership to the property conveyed to them in the form of investments and other contributions by their participants, and also to property realized as a result of its entrepreneurial activity and acquired on other grounds permitted by law. Joint stock companies are also owners of the funds they have realized from the sale of stock.

Article 15. **Contribution of a Worker to the Property of an Enterprise**

1. The equity of every worker in the property owned by a collective, leased, or cooperative enterprise is determined.

That equity includes the sum of the worker's equity as of the moment when the enterprise was formed and also the worker's contribution to the growth of that enterprise's property since its creation.

The size of the worker's contribution to growth of its property is determined on the basis of his work participation in the enterprise's activity and the equity he possesses in the property of that enterprise.

2. Interest is computed and paid on the equity of an enterprise's worker at a rate to be determined by the collective of the enterprise on the basis of the results of its economic activity.

3. A worker who has terminated employment relations with an enterprise and also the heir of a deceased worker are paid the value of the equity if they wish.

4. When an enterprise is liquidated, the value of the equity is paid to the worker (to his heir) from the property remaining after settlement with the budget, banks, and other creditors of the enterprise.

Article 16. **Property of a Business Association**

1. A business association of business companies and partnerships, collective and leased enterprises, cooperatives, and other juridical persons (concerns, associations, alliances, and intersector, regional, and other associations) which are juridical persons possess the right of ownership to property voluntarily transferred to its ownership by its participants and also obtained as the result of the activity of the business association.

2. A business association does not have the right of ownership to the property of the participants in the association.

3. Property remaining after termination of the activity of a business association is distributed among the enterprises and organizations making it up.

Section III. Ownership Rights of Public Associations (Organizations)

Article 17. **Ownership of Public Associations (Organizations)**

1. Public associations (organizations) which are juridical persons may own buildings, installations, housing stock, equipment, jigs, tools, and fixtures, property for cultural, educational, and health purposes, money, stock and other securities, and other property necessary to carry on the activity envisaged by their bylaws (regulations).

Public organizations may engage in business, may create and acquire enterprises and other property for performance of that activity, only insofar as it is indispensable to performance of their tasks as stated in the bylaws.

2. Enterprises and institutions created or acquired as juridical persons by public associations have the right of full economic management or the right of operational management over the property assigned to them.

3. Property remaining after liquidation of a public association (organization) when settlement has been made with the budget, banks, and other creditors is committed to the purposes envisaged by its bylaws (regulation).

Article 18. **Ownership of Philanthropic and Other Public Foundations**

1. Philanthropic and other public foundations, which are juridical persons, have the right to own property conveyed to them by the founders to perform the activity envisaged by their bylaws. Philanthropic and other public foundations have the right to own property acquired or created by them from their own resources, including income from their own economic activity, and also to property conveyed to them by individuals, juridical persons, or the state, and property acquired on other grounds permitted by law. They publish reports for general information concerning the use of the property which they own.

2. When philanthropic and other public foundations create or acquire enterprises and institutions which are juridical persons, and also in the case of liquidation of a philanthropic or other public foundation, the provisions envisaged by Article 17, Points 2 and 3, respectively, of this Law shall apply.

Article 19. **Property of Religious Organizations**

1. The property of religious organizations which are juridical persons may include buildings, religious articles, articles for the purposes of production, social welfare, and philanthropy, money, and other property necessary to carry on their activity. Religious organizations have the right of ownership to property which they acquire or create from their own resources, that which has been donated by individuals or organizations, that which has been conveyed by the state, or that which has been acquired on other grounds permitted by law.

2. Enterprises and institutions which religious organizations have created as juridical persons have the right of full economic management or the right of operational management of the property assigned to them.

3. In case of liquidation of a religious organization, its property remaining after settlement with the budget, banks, and other creditors is assigned to the purposes envisaged by its bylaws.

Section IV. Right of State Ownership and Municipal Ownership

Article 20. **General Provisions Concerning State Ownership**

1. State property of RSFSR is the property of the multinational people of RSFSR.

State property in RSFSR takes the form of federal property and the property of the republics which are part of the Russian Federation, of the autonomous oblasts, autonomous okrugs, krays, and oblasts.

2. The RSFSR, the republic belonging to the Russian Federation, the autonomous oblast, autonomous okrug, kray and oblast are independent owners of the property they possess and are not answerable for each others obligations.

3. The appropriate councils of peoples' deputies and the state organs authorized by them dispose of and administer state property.

4. The provisions of this law apply to all-union state property found on the territory of the RSFSR and to the state property of other union republics and their component republics, autonomous oblasts, autonomous okrugs, krays and oblasts.

Article 21. **Categories of State Property**

1. State property of RSFSR includes the property of government bodies and administrative agencies of RSFSR, resources of the continental shelf and maritime economic zone of RSFSR, cultural and historical monuments of importance to the entire state, the resources of the RSFSR State Budget, state banks of RSFSR, the share of RSFSR in nationwide gold reserves and diamond and foreign exchange holdings, and the republic pension fund, insurance fund, reserve fund, and other funds.

State property of RSFSR and federal components may include means of production in industry, enterprises in the sectors of transportation, communications, informatics, the fuel and energy complex, other enterprises, and other property necessary for performance of the tasks of the RSFSR.

2. The property of the republics which are part of the Russian Federation, of autonomous oblasts, autonomous okrugs, krays, and oblasts includes the property of their government bodies and administrative agencies, cultural and historical monuments of the peoples of the republics which are part of the Russian Federation, of the autonomous oblasts, autonomous okrugs, krays, and oblasts, the resources of the respective budget, and also enterprises, property complexes, and other property ensuring the independence of the nation-state and administrative-territorial structures of the Federation.

Article 22. **State Treasury**

1. The resources of the state budget and other state property not assigned to state enterprises and institutions make up the following: the RSFSR State Treasury, the state treasury of the republic which is part of the Russian Federation, and the treasury of the autonomous oblast, autonomous okrug, kray, or oblast.

2. Taxes, duties, and other state revenues go into the treasury, as does other property acquired by RSFSR, the republic which is part of the Russian Federation, the autonomous oblast, autonomous okrug, kray, or oblast in accordance with law.

Article 23. **Municipal Property**

1. The municipal property of the rayon, city, or administrative-territorial structure that is part of them includes the property of local government bodies and bodies of local self-government, the resources of the local budget and off-budget funds, the housing stock, nonresidential space in buildings of the housing stock, elements of the engineering infrastructure (installations and networks of the water supply and sewer systems, heat supply, power supply, gas supply, urban electric transportation, and elements of social amenities outdoors), and other facilities directly providing municipal services to consumers and located on the territory of soviets of people's deputies, except in the cases envisaged by legislation on local self-government.

2. The municipal property of the rayon, city, and administrative-territorial structures making them up may include enterprises in agriculture, trade, everyday services, transportation, industrial, construction, and other enterprises, property complexes, institutions in the fields of public education, culture, health, and other property necessary for economic and social development and for performance of other tasks facing the respective administrative-territorial structures in accordance with the legislation on local self-government.

3. Municipal property is disposed of and managed by the respective local soviets of people's deputies and the bodies of local self-government.

Article 24. **Property of State and Municipal Enterprises and Institutions**

1. Property which is state or municipal property and assigned to a state or municipal enterprise belongs to the enterprise on the basis of the right of full economic management.

2. Should the body authorized to manage state or municipal property decide to reorganize or liquidate a state or municipal enterprise, except in cases when it is found insolvent (bankrupt), the work collective has the right to demand that the enterprise be leased to it or transformed into another enterprise based on the right of private ownership.

3. Property which is state or municipal property and assigned by the owner to an institution financed from the state or municipal budget is under the operational management of that institution.

Article 25. **Privatization of State and Municipal Property**

Enterprises, property complexes, buildings, installations, and other property which is state or municipal property may be conveyed to private property of individuals and juridical persons according to the procedure and under the conditions established by legislative enactments of RSFSR and the republics which are part of the Russian Federation, and by enactments of local soviets of people's deputies issued within the limits of their competence.

Section V. The Property Rights of Joint Enterprises and Foreign Individuals, Organizations, and States

Article 26. **Ownership of Joint Enterprises**

Joint enterprises whose participants include Soviet juridical persons and individuals and foreign juridical persons and individuals are created on the territory of RSFSR in the form of joint stock companies, other business companies, and partnerships, and they may own the property necessary to carry on the activity envisaged by the articles of incorporation.

Article 27. **Property of Foreign Nationals and Stateless Persons**

The provisions of this Law pertaining to the property of Soviet citizens also apply to the property located in RSFSR of foreign nationals and stateless persons unless legislative enactments provide otherwise.

Article 28. **Property of Foreign Juridical Persons**

Foreign juridical persons have the right to own on the territory of RSFSR industrial and other enterprises, buildings, installations, and other property for the purposes of carrying on their business activity and other activity in the cases and according to the procedure set forth in legislative enactments of RSFSR and the Union of SSR.

Article 29. **Property of Foreign States and International Organizations**

Foreign states and international organizations have the right to own property on the territory of RSFSR that is necessary for carrying on diplomatic, consular, and other international relations in the cases and according to the procedure established by international treaties and legislative enactments of RSFSR and the Union of SSR.

Section VI. Protection of Property Rights

Article 30. **Basic Provisions Concerning Protection of the Right of Ownership**

1. The owner has the right to recover his property from the unlawful possession of someone else.

If property has been acquired for compensation from a person who did not have the right to alienate it, and the person acquiring the property did not know and could not have known this (acquisition in good faith), the owner has the right to recover his property from the person acquiring it in the case when the property has been lost by the owner or person to whom the owner conveyed the property for possession, or property which has been stolen from one or the other, or property that has passed out of their possession by some other means and against their will. Money and also securities made out to the applicant may not be recovered from a person who has acquired them in good faith.

2. The owner may demand correction of any breaches of his rights, even though those breaches did not involve depriving him of possession.

3. Damage incurred on an owner by a crime is reimbursed by the state by decision of a court. The expenditures which the state incurs in this are recovered from the offender through the courts in accordance with legislation of RSFSR.

4. Property rights are protected by the courts, by the State Arbitration Commission, or by a treaty court.

5. A person who is not an owner, but possesses property with the right of full economic management, operational management, heritable possession for life, or on some other basis envisaged by law or contract, also possesses the rights envisaged by this article. That person has the right to protection of his possession against the owner.

Article 31. **Protection of the Owner's Interests When His Rights on Grounds Envisaged by Law Are Terminated**

1. If the Union of SSR, RSFSR, or republic which is part of the Russian Federation adopts legislative enactments that terminate the right of ownership, the losses incurred by the owner as a result of adoption of such acts are by court decision reimbursed to the owner in the full

amount by the Union of SSR, RSFSR, or respective republic which is part of the Russian Federation.

2. Termination of the right of ownership in connection with a decision of a state body directly aimed at confiscating property from the owner, including a decision to confiscate a parcel of land on which the dwelling, other structures, installations, or plantations belonging to the owner are located, is terminated only in the conditions and under the procedure established by legislative enactments of RSFSR and the republics which are part of the Russian Federation, and the owner is to be furnished equivalent property or fully reimbursed losses he has incurred through termination of the right of ownership.

If the owner does not agree with the decision terminating the right of ownership, it may not be enforced until the dispute is settled by a court, the State Arbitration Commission, or treaty court. During examination of the dispute, all issues concerning reimbursement of the owner the losses incurred are also settled.

Article 32. **Invalidity of Enactments Violating the Rights of Owners**

1. If issuance of an enactment of bodies of government or local self-government contrary to law has violated the rights of an owner and other persons to possess, use, and dispose of their property, a court may declare such act invalid upon petition of the owner or person whose rights have been violated.

2. Losses, including lost income, because of the issuance of these enactments, are subject to compensation in the full amount from the funds which are at the disposition of the respective body of government or management.

Decree on Law's Implementation

914A0305B Moscow SOVETSKAYA ROSSIYA in Russian 10 Jan 91 First Edition p 1

[Decree of the RSFSR Supreme Soviet dated 24 December 1990 in Moscow and signed by B.N. Yeltsin, chairman of the RSFSR Supreme Soviet]

[Text] The Supreme Soviet decrees as follows:

1. To put into effect the RSFSR Law on Ownership in RSFSR as of 1 January 1991.

2. To bring current legislation of RSFSR and republics making up the Russian Federation into conformity with the RSFSR Law on Ownership in RSFSR, it is applied insofar as it does not run counter to this Law. Here, the decrees and orders of the RSFSR Council of Ministers of the government of the republics making up the Russian Federation, made before this Law takes effect on matters which under the Law can be regulated only by legislative enactments are valid until adoption of the respective legislative enactments.

3. From the moment the RSFSR Law on Ownership in RSFSR takes effect, the provisions of the USSR Law on Ownership in the USSR, with the exception of Article 25, are not applied on the territory of RSFSR.

4. Article 30, Point 3, of the RSFSR Law on Ownership in RSFSR takes effect as of 1 July 1991.

5. The RSFSR Law on Ownership in RSFSR applies to legal relations occurring after the Law takes effect, that is, as of 1 January 1991.

In legal relations occurring before 1 January 1991, this Law applies to the rights and duties which arise after the Law takes effect.

6. Until such time as property is delineated among the various levels of state and municipal property according to the procedure and by the dates envisaged by the decree of the RSFSR Supreme Soviet dated 31 October 1990 and entitled: "On Procedure for Implementing the RSFSR Law on Guaranteeing the Economic Basis for Sovereignty of the RSFSR," the disposition and management of the property of enterprises and institutions under jurisdiction of the RSFSR, the republics which are part of the Russian Federation, autonomous oblasts, autonomous okrugs, krays, oblasts, cities, rayons, and villages, and also other property not under their jurisdiction, are performed by the respective soviets of people's deputies and agencies they authorize.

7. The provisions of Article 7, Point 4, Paragraph 4, of the RSFSR Law on Ownership in RSFSR also apply from the moment the law takes effect with respect to property acquired before 1 January 1991.

Public associations (organizations) which as of 1 January 1991 owned enterprises and other property (including stock, securities, and also rights to shares) used for entrepreneurial activity falling outside the limits of the tasks of those associations (organizations) stated in their bylaws must alienate such property before 1 July 1991. Should this duty not be performed within the period stated, the decision on forcible confiscation of the property in question is taken by the courts on petition of the RSFSR Council of Ministers, the council of ministers of the republics making up the Russian Federation, and oblast, kray, okrug, rayon, and city soviets of people's deputies or procurators.

8. Until legislation is adopted on privatization of the housing stock, apartments and houses in the state and municipal housing stock are to be conveyed to the ownership of those who rent them (Article 13, Point 3, of the RSFSR Law on Ownership in RSFSR) by soviets of people's deputies, by enterprises and institutions which have those buildings on their balance sheet, according to the procedure and under the conditions defined by the republics making up the Russian Federation, by soviets of people's deputies of autonomous oblasts, autonomous okrugs, kray and oblast soviets of people's deputies, and the Moscow City and Leningrad City Soviet of People's Deputies.

9. The RSFSR Council of Ministers is hereby ordered as follows:

- by 15 January 1991, to present for examination of the RSFSR Supreme Soviet the drafts of laws of RSFSR on amending and supplementing the RSFSR Civil Code, the RSFSR Civil Procedural Code, the RSFSR Code on Administrative Violations, and other current legislative enactments on the subject matter of ownership;
- by 1 February 1991, to bring decisions of the Government of RSFSR into conformity with the RSFSR Law on Ownership in RSFSR;
- by 1 February 1991, to see that ministries, state committees, and departments of RSFSR review and abolish their normative acts, including instructions, that are contrary to this Law.

UkSSR Council of Ministers' Appeal for Support of Economic Measures

914A0317A Kiev PRAVDA UKRAINY in Russian 7 Nov 90 pp 1, 2

[Ukrainian Soviet Socialist Republic (UkSSR) Council of Ministers press release: "To the Citizens of the Ukraine"]

[Text] Dear comrades!

Our republic is experiencing a difficult period now. Among the many problems that we all have to face daily, one is particularly acute. It is the shortage of consumer goods, food products first of all. Despite industry's not reducing the production volumes of most articles in popular demand, and Ukrainian farmers' raising a good harvest, the stores greet people with empty shelves. It has become impossible to obtain even what is the most essential.

Several causes have given rise to this situation. Uncontrolled and unrestrained increase in the incomes of a substantial part of the population, unsupported by corresponding increase in production volumes, has been taking place for several years now as a result of imprudent Union Government actions. Thus there has accumulated in people's hands a large mass of money which, not having a sufficient goods equivalent, has destabilized the consumer market. Massive export of consumer goods beyond the Ukraine's borders, including abroad, has inflicted crushing blows on that market.

Exploiting our difficulties, shady-economy sharpies grow rich, and criminal elements operate more and more brazenly. The black market has blossomed, speculation has assumed an unprecedented scale, and the number of trade rule violations has increased.

The government is compelled to begin taking decisive actions to protect the people's interests and prevent our domestic market's total breakdown. Such is precisely the goal of the decree: "On Protecting the Consumer Market in the Ukrainian SSR [Soviet Socialist Republic]" passed by the Ukrainian Soviet Socialist Republic [UkSSR] Council of Ministers. Its implementation should strengthen the honestly earned ruble's position, remove a large amount of the money obtained by dubious means from the market, and offer a chance to balance monetary incomes and the goods mass at this stage without resorting to increase of retail prices.

The measures prescribed by the decree are an integral part of the Concept of the Ukrainian SSR's Transition to a Market Economy, which the republic's Supreme Soviet has just approved. It should be recalled that steps aimed at protecting their own domestic markets already have been taken in the Russian Federation, Belorussia, Moldavia, and the Baltic States.

The goods famine's abrupt worsening did not permit a prolonged period for the new trade system's institution. It was necessary to print consumer ration cards [kartochki potrebitelya] as fast as possible, distribute and issue these to the population, prepare the trade enterprises for operation under the new terms, and develop normative documents. Despite the difficulties, and the resistance of some workers who did not want to cause themselves additional bother, everything was accomplished in a very few days. The Council of Ministers expresses its sincere gratitude to the collectives involved in this.

Favorable results may be expected from the prescribed innovations only in the event that these are instituted simultaneously, and in full measure, in all republic territory. After all, our market is an indivisible sick organism. It is impossible to cure it part by part. Understanding of this has been shown in many regions of the Ukraine, where an attitude of proper responsibility has been taken toward the decree's implementation, everything having been carefully prepared by the specified date, the first of November. These regions are Vinnitsa, Volynskaya, Zakarpatskaya, Ivano-Frankovsk, Kiev, Lvov, Poltava, Rovno, Sumy, Ternopol, Cherkassy, and Chernigov Oblasts, and the cities of Kiev and Sevastopol.

Unfortunately, however, such action has not been taken everywhere. The work is being protracted in Donetsk, Zaporozhye, and Krymskaya Oblasts, certain other oblasts, and a number of cities because of a lowering of the executive discipline level. Unjustified adjustments to the trade system prescribed for the whole republic are being arbitrarily introduced. All of this has led to misunderstandings, is confusing people, and may ultimately bring the entire planned endeavor to naught.

Thefts of consumer ration cards in the printeries, at enterprises, and in organizations, issue of coupons in excess of the established norms, and other abuses have become possible because of carelessness in the work and, at times, negligence and laxity. An investigation of discovered incidents of this sort is being conducted. It is absolutely intolerable that the part of the people including pensioners, invalids, and students was unable

to get consumer ration cards, and was deprived of the opportunity to obtain needed articles during the first days of November because of somebody's mismanagement. Precisely these population strata, which have the least social protection, often encounter disrespect and callousness on the part of officials.

Such incidents, and rumors concerning them, actually play into the hands of those against whom the trade reform is directed—the speculators and shadow-economy sharpies [teneviki]—and those who are trying to discredit the government measures by any means whatever.

Of course, because of the lack of time, not everything was reflected in the decree. You cannot squeeze living reality into a plan. Therefore, for the timely consideration of questions arising in the implementation of what is planned, and of all worthwhile advice coming in from the localities, the government has formed a republic working group to coordinate the institution of urgent measures within the decree's purview. It has been granted the authority to effect necessary corrections in the adopted documents.

Supplements have already been produced, which regulate the issue of consumer ration cards to women on unpaid vacation to care for their children, to persons released to the reserves from USSR Armed Forces ranks, to temporarily unemployed persons, and to certain other citizen categories. A system has been prescribed for the sale of goods for newlyweds. Noting the inconvenience of using ration cards with coupons for large sums of money, it has been directed that mainly those denominated at 50 and 75 rubles are to be printed in the future.

Supplements to the effective legislation, which prescribe severe punishment for the sale of consumer ration cards and their acquisition by a person other than intended by the decree, are being prepared, and will be submitted for UkSSR Supreme Soviet approval in the very near future. Steps will be taken to intensify the fight against speculation and violations of trade rules.

Thus, dear comrades, the government is constantly keeping all arising problems within its field of vision, and striving to correct the course of its decree's implementation. However, just its efforts to achieve positive results alone are not enough. The endeavor's success also will depend upon a universal understanding of its necessity, the insistence of many labor collectives, and the honesty of officials.

We appeal **to the workers of printeries, financial and banking institutions, communication branches, social security institutions, and law enforcement agencies, and to the executives of enterprises and organizations** to ensure careful work in the timely makeup and distribution of consumer ration cards to every citizen, at the same time having ruled out the possibility of any sorts of violations of the prescribed system or abuses.

An additional burden will be imposed upon **trade workers** in coming months. We trust, comrades, that you will behave toward this with understanding, will show patience and tact in your interrelations with purchasers, and will ensure the trade network's uninterrupted operation.

The innovations' effectiveness will depend upon the availability of assorted goods on the stores' shelves. Therefore, we call upon **the workers of rural areas and the food, light, and other industry sectors involved in consumer-goods output** not to permit reduction in their production volumes, and to make use of all available reserves to fill the republic's consumer market.

Word spoken on the air or from the newspaper page now has acquired truly unlimited power. Noting this, we ask that **journalists and all mass-information-media workers** behave with exceptional seriousness toward broadcasting the new trade system's theme, collect all valuable suggestions for the new system's improvement, inform people of corrections being introduced on a timely basis, and not resort to mass circulation of arrogant or unweighed statements, unconfirmed facts, rumors, and conjectures.

We stress again: Only the joint and coordinated actions of local government agencies at all levels can ensure the expected benefit from the newly established rules in trade. Therefore, we call upon **the workers of the Soviets of People's Deputies executive committees** to meet the strictest requirements of their responsibility to the people, and to ensure full implementation of all of the government decree's requirements.

We believe the Ukrainian people will realize that consistent implementation of measures to protect the republic's consumer market is fully in accord with their interests, and will support the government's actions in this direction.

Belorussians Polled on Economic Reform Issues

914A0259A Minsk ZNAMYA YUNOSTI in Russian 14 Dec 90 p 2

[Article by R. Smirnova, candidate of philosophical sciences under the rubric: "Topical Theme: The Market:" "We Are Not Afraid..."]

[Text] **Sociologists resolved to find out the answer to the question that has become the talk of the town: Are our people ready to plunge into the blind forces of a free market?**

In attempting to elucidate the changeover to the market system on television, in the press, and in government reports , as well as in speeches by the deputies, it so happens that the emphasis has been placed most frequently upon the possiblity of a declining consumer market, a loss of the people's material well-being, unemployment, and so on. At the same time it has been emphasized that initially it is necessary to "feed" the

people by saturating the consumer market, and only after this has been done to undertake the task of working out the laws of ownership and the mechanisms (social, economic, and judicial) for their implementation. Essentially, such a policy inverts the entire process, since in order to consume it is necessary first to develop and produce; and our country is no longer capable of being productive, qualitatively or quantitatively, within the framework of antiquated forms of economic management.

The widespread conventional wisdom with respect to the changeover to market relations that the common man is sharply opposed to the market economy and that the public is ignorant of how it really works is fraught with error and exaggeration.

A sociological survey of the Belorussian public between January and October 1990 has enabled researchers of the BSSR Academy of Sciences Institute of Sociology to document patterns of change in the economic behavior of the people. Over a 10-month period the number of people acquainted with the new economic relations has almost doubled.

Among the new forms of economic management, the most popular are as follows: leasing (approved of by 74.7 percent of those surveyed); turning the means of production over to labor collective ownership (approved of by 74.5 percent); and developing enterprises in conjunction with foreign firms (approved of by 80.7 percent). Whereas 57.4 percent of persons surveyed wished their enterprises to become joint-stock companies, only 11.6 percent were fundamentally opposed to this prospect. The large number of respondents who had difficulty in providing specific responsesd (31) is to be explained by ignorance of economics and a lack of experience, together with the continuibng presence of stereotypes in understanding such concepts as "stock," "commodities exchange," and "private property," which were in the past involuntarily instilled in us by our ideology, associated with an image of the capitalist as a person mercilessly exploiting the working class. Nevertheless, from January through October 1990 the number of people favorably disposed to private ownership using hired labor rose three and a half times (favored by 10.6 percent of respondents in January and by 46.9 percent in October).

Moreover, in response to the question: "Do you want to work in a private enterprise?" over half the respondents (54.9 percent) answered in the affirmative, and 60.3 percent expressed a willingness to work abroad. Many wanted their children, after attaining professional status, to work in a cooperative (12.7 percent), in private enterprise (18.7 percent), or become self-employed (10.2 percent). All this reflects not only changing patterns of economic behavior among the Belorussian population but also, under conditions of diverse forms of property ownership and in the event of unemployment, the possibility of a movement out of state enterprises into private organizations, into small commercial enterprises, and into the service sphere.

This prospect is further evidenced by the fact that 32.9 percent of respondents expressed their willingness to work in a business of their own (to acquire a store, barber shop, studio, kiosk, and so on), and that almost a fourth of them expressed their willingness to invest their current savings in the purchase of enterprise stock.

Who are these people who are ready even now to plunge into the sphere of market relations not only as entrepreneurs but as hired labor? First of all, they are those who are in a position to take risks and who want to work at a heightened tempo to increase their own material well-being. As the research data indicates, they are primarily people between 18 and 45 years of age, with 62.6 percent of young people surveyed between the ages of 18 and 30 and 45.2 percent of those over 30 wishing to live at a higher standard of living by taking risks and acting on their won initiative. The same proportion may be seen with respect to the leasing of property, the private ownership of land by farm workers, and private ownership with the use of hired labor—more than half of the young people polled expressing their approval. A far greater number of young people than those who are over 30 want to work in private enterprise (72.7 percent). All these facts reflect the increasingly political activity that is characteristic of the younger generation as a whole and their receptivity to new patterns of economic and social behavior. Nevertheless, the absence of practical and management experience, coupled with an ignorance of economics, may lead not only to ruined expectations and disillusionment but even to criminal conduct (profiteering, racketeering, and the like), especially since the mechanism for implementing rights of ownership—the body of economic and judicial norms for the conduct of private enterprise—is not yet in place. The necessity of creating this mechanism as soon as possible is evidenced by the population's readiness, in support of the republic changeover to market relations, to assert and defend their right to property ownership. Thus, out of those who would like to start up their own businesses (by acquiring stores, studios. kiosks), 72.5 percent approve taking part in strikes as a way of protecting their work rights; and of those who want to invest their own capital in shares of an enterprise, the comparable percentage is 67.2 percent.

The survey data gives grounds for supposition that there are a sufficiently large number of people in the republic at the present time (62.6 percent) who are in support of the conversion to market relations and who are ready at any moment to react politically—that is, to enter upon a path of asserting and defending new economic relations not simply in words but in deeds. To avoid this possibility [of civil unrest], it is imperative that the republic government establish at the earliest opportunity a system of procedures for implementing the decree on the conversion to a market economy as adopted in October 1990.

Issues Concerning Small Business Enterprises Viewed

Ukrainian Enterprises Form Association

914A0321A Kiev PRAVDA UKRAINY in Russian 17 Oct 90 p 1

[Article by S. Zakharkevich under the "First Steps" rubric: "Businessmen Appeal to the Parliament"]

[Text] **As you know, a new name—The Ukrainian Soviet Socialist Republic [UkSSR] Small Enterprises League—has appeared on the republic's public-life map. Already a congress of the new association has sent a special appeal to the UkSSR Supreme Soviet.**

What did the entrepreneurs want to tell the People's Deputies? First of all, they wanted to remind the legislators, who are taking essentially the first steps on the way to democratic methods of governing the society, that there is a real force that can quickly and fundamentally correct matters in our economy, and consequently—in other areas as well. This force is small entrepreneurship.

The advantages of small enterprises (and, by the way, agricultural firms are also included in the league) lie in their versatility, in quick response to market demands, and in their ability to operate by unconventional methods without regard to departmental affiliation.

The activity of small enterprises will make it possible to fill the republic's consumer market with goods and services, will ensure the timely recovery of costs, will broaden the assortment of goods, will create additional jobs, will further the introduction of efficient technical and technological innovations, and will increase the Ukraine's export potential.

All of this will come to pass if the UkSSR Supreme Soviet will finally desist from fruitless procedural battles and adopt the republic's market-economy concept, having specified a place in its implementation for the operation of small enterprises. By the way, the Ukrainian Small Enterprises League has not yet been officially registered by the UkSSR Council of Ministers, although the documentation for this has been submitted to the government.

More important for entrepreneurship's development in the republic, of course, is passage by the UkSSR Supreme Soviet of: "The Law on Small Enterprises of the Ukraine," a draft of which has been prepared by the league and sent to the parliament. Here I should like to call both the legislators' and the government's attention to the following. Before the new law's passage, the small business representatives would ask the republic's Council of Ministers to reconsider the third point of its decree No. 278 of 22 September: "On Measures for the Creation and Development of Small Enterprises," by which the maximum number of workers is set at 50 persons for small enterprises in industry and construction. (Let us note that the Union Government's decree on this same subject is far more radical, and prescribes an upper limit of 200 workers.) Thus many small plants, factories, and construction concerns lose their future prospects, although they are, in fact, independent producers, deprived of the legal entity right by the farsighted apparatuses for administering trusts, associations, main administrations, etc., which produce nothing. This can serve as a serious impediment to the development of entrepreneurial activity in the Ukraine, just like the authorization of only persons connected by family ties, and with those, moreover, who head the joint labor undertaking, to form small enterprises.

Therefore, the usual attempt to limit the property privatization process is present here. The participants in the congress expressed their disagreement with these provisions of the decree quite vigorously, and charged their newly elected council with taking the majority opinion into account during the smoothing up of the draft UkSSR law: "On Small Enterprises of the Ukraine."

So, the entrepreneurs are uniting in order to develop their businesses jointly, protect their economic interests from the large state enterprises' infringement, create commodity exchanges, and provide for personnel training.

In the Ukrainian SSR Small Enterprises League, I was told that interest in the association is very great in the outlying areas. More new members are joining the league every day. Let us not forget that there are many thousands of small enterprises in the republic. After property denationalization, there will be many more. That is why the participants in the congress have appealed to the republic's parliament to consider carefully the problems of future small enterprises.

The league's council asks all who are interested in matters associated with the activity of small enterprises in the Ukraine to contact the executive directorate located in Kiev.

Information on the telephone numbers: 290-13-52, 290-90-55, and 290-53-72.

Implications for Armenia Assessed

914A0321B Yerevan GOLOS ARMENII in Russian 23 Oct 90 p 3

[Interview with Professor Gevork Ashotovich Yegiazaryan, president, Moscow State University (MGU) International Center for the Development of Small Enterprises, by ARMENPRESS correspondents Ruben Ayrapetyan and Gagik Gevorkyan: "So, Toward Private Ownership?"

[Text] **The country's business people have long awaited the USSR Council of Ministers decree: "On Measures for the Creation and Development of Small Enterprises." It is not surprising that the decree has become the subject of a great and concerned discussion. In what way is the decree new, and in what way is it attracting the attention of**

operating and potential entrepreneurs? ARMENPRESS correspondents Ruben Ayrapetyan and Gagik Gevorkyan talk about this with Professor Gevork Ashotovich Yegiazaryan, doctor of economic sciences, president of the International Center for the Development of Small Enterprises and head of the Department of Industry Economics in the Economics Faculty of Moscow State University [MGU] imeni Lomonosov.

"The decree has tremendous significance for our country," says Professor Yegiazaryan, "and is the first large step on the way to creating private small enterprises. Two main aspects can be discerned in the decree. First, the sizes of the various types of small enterprises are specified—from 15 to 200 persons may be hired in them. Second, not only individual state organizations and enterprises, but also private citizens or groups of people are authorized to form small enterprises. Thus the idea of private ownership in the small business field is essentially confirmed in the USSR. There is yet another significant factor—the formation of an enterprise has been simplified to the maximum extent. It is sufficient to register the enterprise's emergence with the Soviet of People's Deputies executive committee [ispolkom] and nothing more."

[Correspondents] Gevork Ashotovich, are you sure that this decree will not suffer the fate of many other decrees passed here, which still have not been implemented?

[Yegiazaryan] The decree is not without defects, of course. For example, there is no mechanism in it for the realization of what is planned, and the problem of state support, etc., in the formation and operation of small enterprises has not been worked out. That is, there will be certain difficulties. Therefore, the decree must be viewed as the first decisive step in this direction with the prospect of its subsequent development. I have in mind a more comprehensive and extensive working out of the enterprises' formation process and system of state support measures. However, the main job has been undertaken in any case.

[Correspondents] What is the role of the center headed by you in this, if you will, entirely new endeavor for us?

[Yegiazaryan] There really is no experience in this area in the USSR. We have small enterprises, of course, but one cannot call them enterprises of an entrepreneurial nature—they operate within the state sector's framework. With the creation of a market economy, we must clearly understand that development of the small-business sector is the transition period's main thrust. That period will create a suitable market environment and favorable conditions for entrepreneurship.

However, an entire system of state, public, and regional sectorial organizations, etc., without which the small-enterprise sector cannot exist, is needed for the planned program's implementation. The main task of those organizations is the creation of a support system for the formation and operation of small enterprises. Here our center is one of this system's important elements. We shall promote the formation of domestic small business and the development of its relations, both within the country and with foreign partners. The types of work are various: consultations, training and retraining of personnel, organizing creative work, proposing small-business support methods, negotiations, etc.

[Correspondents] At the moment, it is timely to ask every well-known or influential Moscow Armenian: What are you doing for Armenia, especially in so difficult a time for it? We now turn to you with this specific question.

[Yegiazaryan] The matter of creating a branch of our center in Armenia, on the basis of which it will be possible to expand the work with the republic's business circles extensively and develop the small-enterprise sector there, is presently being resolved with my active participation. For Armenia, considering the difficult state of its economy, I think this is particularly apropos to realization of the ideas of independence and free entrepreneurship. I am sure that small business can give the republic's national economy development a powerful boost.

[Correspondents] Gevork Ashotovich, is the decree under discussion not aimed at, or does it not promote, legalization of the shadow economy? By the way, Armenia's new leadership has declared that it does not intend to "dekulakize" [deprive of land and production means] anybody.

[Yegiazaryan] First, the shadow-economy concept must be clarified because one cannot go to the market with such unidentified freight. It is necessary to pick out that part of the shadow economy which is not associated with a crime-producing situation or, more simply—with the criminal elements. Our legislation's imperfection sometimes encourages businesslike and enterprising people to form the sorts of management and organization which do not conform to the law. Consequently, it is first necessary to improve our legislation so that our enterprises may operate normally under market conditions. This will sharply reduce the dimensions of the shadow economy, if the latter does not disappear altogether. The trouble is that we still do not know how to organize market relations in a knowledgeable and civilized way.

[Correspondents] As you see it, what kinds of small enterprises can operate effectively under Armenia's conditions?

[Yegiazaryan] First of all, I think, the science-intensive ones. There is good scientific potential in the republic. Many good scientific-technical ideas can be realized at the small-and medium-sized-enterprise level. In this matter, of course, Armenians pin certain hopes on the migration [diaspora]. This is justified. However, taking advantage of the occasion, I want to tell you about something here. It seems to me that Armenia is making insufficiently effective use of the Moscow Armenian intelligentsia's powers, particularly those of the scientific intelligentsia. For example, I just recently learned that I

had been included in the republic's commission on reform of the Council of Ministers. Naturally, I will offer my powers and knowledge to my nation to the maximum extent. I have no doubt that an overwhelming majority of Moscow's Armenian scientists and representatives of other fields of endeavor also is ready to act for the good of its native Armenia, and now the conditions for this exist. However, it would be well if the republic itself, in turn, were to display interest and initiative in this matter. May my compatriots take what has been said as a wish.

From This Article's Authors

Perhaps this is unrelated to our discussion's main theme, but we should like to call attention to Professor Yegiazaryan's last remark. In associating with many representatives of the Moscow Armenian intelligentsia, we have often heard the same words: Armenia is making inadequate use of our powers and potentials. Probably, Armenia itself also can complain of them: Why are they not showing initiative themselves? However, it is inappropriate to argue here. After all, it is no secret that there has been no organized Armenian community in Moscow for decades, and all relations with Armenia have had a random and somewhat impulsive nature. And, although national life now is reviving in the capital, and cultural, enlightenment, and other societies are being formed, the local Armenians nevertheless are not far removed from the life of the colonies functioning in many of the large migration [diaspora] cities. We are all losing a lot because of this. Meanwhile, Moscow Armenians nonetheless are in need of a strong unifying center. In many people's opinion, the Armenian Permanent Representation Office [postpredstvo] in Moscow can become this force with appropriate reorganization of its activity. The point is that all Armenians living in Moscow know about that office and, indeed, only the permanent representation office has been any sort of connecting link for decades. The formation of an organized Armenian Colony should be included in the permanent representation office's official duties. The permanent representative [postpred] should be a well-known and respected person, and, this is imperative—a business person.

Commercial Enterprise Threatens Local Parent Gossnab Monopoly

914A0278A Moscow IZVESTIYA in Russian 5 Jan 91 Union Edition p 2

[Article by V. Kornev, correspondent: "Trade or Sharing?"]

[Text] **About two years ago a commercial center was established in connection with the Volgogradglavsnab [Volgograd Main Supply Administration]. This center obtained the right to independently conclude deals with any enterprises, regardless of the property-ownership forms. Nowadays, when the above-mentioned center has become a genuine threat to the Volgoglavsnab's monopoly, serious complications have arisen in the mutual relations between this main administration and its "daughter firm."**

The center's annual product sales volume has reached 1.5 million rubles. Moreover, the commission store, which trades in nonliquid items gathered from various enterprises, employs only five persons, while the staff of the commercial center as a whole amounts to less than 40 persons. Contracts to buy and sell "non-liquid items," unconditioned and above-plan products, have been concluded with 140 of this oblast's enterprises.

The center's businessmen-suppliers cooperate with partners throughout the entire country, even as far as Vladivostok. Therefore, they have been able to organize the shipment to the oblast of production-type equipment amounting to 30 million rubles' worth, as well as 1.5 million rubles' worth of consumer goods. At the same time, with the center acting as a middleman, eight million rubles' worth of products have been shipped out of this oblast.

And, in general, the store renders very diverse services to its customers; it conducts fairs and holds auctions. Here are several announcements which were printed in the latest issue of EKSPRESS-INFORMATSII, this commercial center's publication: "The commission store has an opportunity to carry out an exchange of silicate bricks for pipes.... It is accepting orders for ceramic tiles and conditioners.... It is purchasing a large quantity of latex and furniture clamps, or it has the opportunity to exchange the above-mentioned goods for an excavators or a motor vehicle...."

But how do its customers rate the activities of this commercial center?

"As useful," S. Gusak, staff member at the Volga Pipe Plant Sales Department, replied to my question. "We buy and sell a lot there."

Through the supply commission store this plant sells as much as 2,000 tons of pipes—the so-called "non-condition items" ["seconds"?]. Such pipes are acquired by kolkhozes, sovkhozes, and cooperatives. And recently some businessmen from the Volgograd center decided to set up a small enterprise, having purchased some property for collective ownership. The new enterprise's charter provides for new lines of work: conducting leasing operations, creating an exchange where goods and raw materials can be traded, opening up their own production facilities and branches.

And everything would be fine, but that very same Volgogradglavsnab which was the commercial center's parent now prefers to smother it in its own embraces rather than letting it go free. Confirmation of this came in my interview with A. Makushkin, the main administration's deputy chief. At first he praised the commercial center, but then he switched to scolding it, saying that these businessmen-merchants were "swinging profits." And he went on to say that the main administration was

failing to cope sufficiently well with its principal task of providing Volgograd Oblast with material and technical resources.

Let's be more precise: the main administration collects more than 85 percent of the profits from the center. Within a brief period of time it has already "racked up" about half a million rubles. And this, when you figure it out, is the value of all the center's fixed capital assets.

"But if we are to speak in general about the main administration's task," justly remarked A. Gayshinets, the commercial center's director, "then it must be pointed out that Volgogradsnabstroy apportions and shares the assigned resources, whereas we have to seek them out. And we find them without having any recourse to limits or funds. Because for us it cannot be otherwise. If we lose customers, we don't earn money."

I do not think that the main administration is averse to letting the commercial center go free merely for fear of losing half a million rubles. For Volgogradglavsnab with its enormous amount of capital this sum is not a great one. It would be far more dreadful for it to lose its own monopoly. All the more so in that the commercial center, having already gone through the "school of marketing," will probably become an extremely dangerous competitor.

Privatization of State Holdings Viewed

Estonian Deputy Chief Minister of Economics

914A0320A Tallinn MOLODEZH ESTONII in Russian 17 Oct 90 p 2

[Interview with Erik Terk, deputy minister of economics of Estonia, by A. Amelchenkov: "There Will Be No Egalitarianism!"]

[Text] **Questions of privatization concern everyone today. The recently published Estonian government's concept on the general principles of privatization has stirred up interest in this problem even more. Today we are offering for the readers' attention an interview by our correspondent with Erik Terk, deputy minister of economics of Estonia, one of the authors of the concept.**

[Amelchenkov] Mr. Terk, the published text of the concept is fairly wordy. Please characterize the goals of privatization.

[Terk] Changing the forms of ownership is a key part of all economic reform. We must do this as quickly as possible. Experience shows that it is not effective to stop at semi-state forms. But the question is how quickly we will be able to reach the goal. I see several problems here. First, the republic does not have the monetary assets for massive privatization. Therefore, in the first phase we cannot put facilities up for sale in large volumes. Second, we do not have a sufficient number of businessmen. In other words, the goal is for the facilities which will be privatized to be owned by people who possess a business potential. Third, a certain portion of both the Estonian and Russian-speaking population does not quite correctly understand the central problems of the impending privatization. Here the main thing is not the return of nationalized property to the former owners and their heirs. Of course, we must resolve the problem of denationalization and compensation. But the majority of the plants, factories, and other facilities were built after the war. The main problem is the privatization of namely this property. How to organize the sale or transfer of it into the hands of people who are able to manage it skillfully and knowledgeably, that is, people who possess business skills. Of course, we cannot find a yardstick for determining the level of business initiative. But the entire process of privatization must promote this.

[Amelchenkov] Will the state remain the owner of at least a certain part of the present state property?

[Terk] Yes, it will. The state must reserve for itself mines, power plants, railroads, partially communications, and probably the production of tobacco products and alcohol. The competition would be difficult in most of these sectors. For example, in power engineering. Does it make sense to privatize a huge power plant which has a monopoly on the market? Obviously not. How would a private monopolist be better than a state monopolist? In addition, world experience shows that it is economically well-founded to leave the infrastructure under the state.

[Amelchenkov] What do you think about privatization of social and cultural facilities?

[Terk] I would treat this question with caution. Many of the social and cultural facilities should be transferred to municipal ownership in the future. Although private ownership may also exist in this sphere in parallel with municipal and state ownership...

[Amelchenkov] I think that the Russian-speaking population in the republic are concerned about the problem of privatization depending on citizenship. In other words, will a citizen who is not a citizen of Estonia have the right to engage in private business?

[Terk] This is more of a political question; therefore, as an economist, I will express only my personal opinion. In other countries, ownership of land and perhaps housing is usually linked to citizenship. I think that it is best to base this question on a criterion of permanent residence in the republic. The Supreme Soviet should determine the time period, as is proposed in the government's concept.

[Amelchenkov] The initiative in this matter comes from the state. But much will depend on the good will of the common people, those who work at a specific enterprise, in a specific office...

[Terk] I do not see the need for voluntary participation in this process. Although what you are talking about would be desirable. There are two aspects here. First, the

question of the possible right of a collective to veto the sale of an enterprise. I do not consider the likelihood of such a veto unfounded. Second, in the privatization of certain facilities, their collectives may be granted certain privileges. Incidentally, all of Eastern and Central Europe is concerned today about the problem of what ratio to accomplish the sale of property being privatized to collectives and private individuals. Also relevant is the question of what portion of this property should be sold to the population for so-called people's capital bonds, which in turn will be distributed among the population free of charge. These bonds will help equalize people's starting opportunities. I want to call attention to another thing. Those who receive people's capital bonds will not be able to sell them in stores. They will be able to invest them either in business or in shares of stock. There are different opinions about what role people's capital bonds should play in the privatization process. It can go the way of equalization, transferring a large share of the assets to the population. In so doing, the workers of large enterprises would be given the opportunity to buy stock in their enterprise. In Poland, for example, this involves at least 20 percent. We believe that in our country the granting of bonds should play a subsidiary role, and the sale of state property to private individuals should play the main role. The percentage of the value of state property will be cited and transferred to the population according to a specific algorithm...

[Amelchenkov] It is no secret that part of the industrial enterprises located on the republic's territory are under union subordination. How do you reconcile this fact with the concept?

[Terk] We are proceeding from the fact that in time they will be placed at the republic's disposal.

[Amelchenkov] How will the introduction of the krona affect the privatization process?

[Terk] It will accelerate the process. But we have been proceeding from the fact that introduction of the krona may take a lot of time.

[Amelchenkov] The Russian program of transition to a market economy has been placed within rigid time limits. Could you, if only roughly, outline the time frames for carrying out privatization in Estonia? What is the difference between the Russian and the local programs?

[Terk] I think the entire process will take five-six years. I can answer the second question in this way: both programs—ours and the Russian—combine various methods of transferring property. But whereas the Russian program places the main emphasis on the free transfer of property, we plan to sell it. You see, the basic principles of our concept and the Russian concept are similar. I can argue as an economist, for example, like Academician Bunich, and our arguments may be the same. But we would both take into account the conditions and the sentiments of those people among whom the program is to be implemented. Thus, the equalizing approach to the problem of privatization is prevalent among the Russian-speaking population of the republic, but it is expressed much weaker among Estonians due to various reasons, including historical ones.

Lithuanian Deputy's Remarks

914A0320B Vilnius EKHO LITVY in Russian 23 Oct 90 p 3

[Article by Professor Kazimeras Antanavichyus, deputy of the Lithuanian Supreme Soviet: "What Will the Working People Receive as a Result of Denationalization and Privatization?"]

[Text] **Today, a debate about the ways to make the transition to a market economy has unfolded among the broadest sections of the public of Lithuania. The different methods of denationalization of state property and its privatization are being debated particularly sharply. Opinions here differ and are sometimes polar. And this is understandable. You see, the social health of the society and the agreement of all people of Lithuania depend on how we will dispose of everything created, whether we will adhere to the principle of social justice, and whether the interests of the working people will be protected. It is precisely a complex of these measures that opens the way to an effective market economy, ensuring a thrifty attitude towards everything that is created by human labor.**

Today, Professor Kazimeras Antanavichyus, deputy of the republic's Supreme Soviet, expresses his ideas and thoughts on ways of denationalization and privatization. We give him the floor.

The processes of denationalization and privatization in agriculture, trade, and the service sector must be accomplished more quickly than in industry. This does not mean that work is being postponed in industry. The preparatory period is much longer here, and the processes themselves more complex.

In essence, all so-called public (actually state) property is the common property of all members of society. In accomplishing denationalization and privatization, two basic goals should be pursued: achieving vitality and effectiveness of a reformed economy; achieving legitimacy and justice.

Public (state) property can be transferred to the citizens of Lithuania—its true owners—by three methods:

a) sell everything and invest the funds in restoring Lithuania's economy; use part of the funds to improve people's living conditions;

b) divide property among all members of society according to their labor contribution;

c) sell off one part of the property; grant another part free to people as compensation for confiscated property and semi-free labor; and leave another part at the disposal of the state.

The first method must be cast aside for several reasons. First of all, it is contrary to logic—people have to redeem, in essence, their own property. Second, the monetary savings of members of society are distributed quite unevenly; 82 percent of the deposits in savings banks do not exceed 5,000 rubles [R]. A significant portion of the people have worked honestly their entire life and have no savings, not because they worked poorly, but because most of their earnings were confiscated for the sake of the state. The holders of considerable amounts (over R100,000) acquired this money most often by illegal means. Therefore, selling off industrial buildings, plant equipment, work shops, cafes, and so forth would result in part of society being turned into eternal hostages of the other part. But the most important thing is that we would not have achieved the desired revival of the economy, since a small part of society would become the owners, and the rest of its members would become hired workers and would be just as far removed from ownership as under the Soviet system, and this, again, is the loss of the sense of being the owner.

From the social standpoint, the fairest thing to do is divide all public property among the members of society taking into account their contribution to social production and the amount of their labor. Then everyone would be owners and have approximately equal beginning conditions. However, what do we do with that money (R18 billion rubles according to approximate calculations) that is now kept in the Savings Bank or that people have at home? A considerable portion of this money is earned or business income. If the illegitimacy of some part of this income has not been proved by the court, then all income and savings consequently must be considered legitimate.

In striving to regulate the monetary system, we must remove a large part of the money, selling production assets, communal apartments, domestic services enterprises, public dining enterprises, and trade enterprises. It is feasible to exchange no more than R1 billion into Lithuanian currency. This is quite realistic if part of the public property is sold off prior to the exchange.

So, the third method of denationalization and privatization is left. This is the method that would make it possible to issue goods against the money accumulated by residents and remove (through exchange) a large part of monetary accumulations. All members of society would receive initial capital and could begin to manage independently.

That portion of the property which remains at the disposal of the state could be used to regulate the correlation between the various forms of ownership (state, joint stock, private) and also to maintain a commodity-money balance.

What part of the public property should be sold off, what part divided, and what part left to the state? How to establish the value of the property being sold? Should the amount of capital being acquired by one person be limited or unlimited?

The correlation of these parts can be determined taking into account how much savings there are and what portion of them it is desirable to remove in the first phase of reform. We will know what portion of public property will be subject to sale only after establishing the prices for it. We propose dividing up free of charge 20-25 percent of public property in industry, trade, municipal services, and the service sector. In the republic it is now valued at about R28 billion. Thus, the average family (3.7 persons) would receive about R8,000.

To maintain stability of the stock market, especially since many do not have business skills and, finally, to avoid speculation in securities and concentration of property in the hands of a small number of people, we propose accomplishing the division of public property (20-25 percent) gradually. Before the start of economic reform, we should calculate what share each person would receive and issue a check indicating when and what part of the property will be transferred to private ownership.

Taking into account the rate of inflation and the constant increase in cost of construction and structures, we should calculate their value at a given time. In spite of the fact that a considerable portion of the machinery and equipment is in a worn out state and the value of buildings and structures has increased, the present value of the assets will have to be increased by a factor of two-three.

It is necessary to create those economic and financial conditions in which people would seek to invest their money in industry, trades, and farms. There must be fairly high dividends (six-eight percent) and a corresponding procedure for exchanging rubles into Lithuanian currency to do this. It is also important to determine what amount of per person will be exchanged in the first, second, and third phases of reform.

As far as agriculture is concerned, only joint stock and personal (private) ownership (except for ownership of the land) should exist in the first phase of reform. Training farms, reserves, and reservations may be an exception.

Taking into account the specific nature of agriculture, the many years of work by peasants for next to nothing, and the peculiarities of the kolkhoz form of ownership itself, we propose dividing 80 percent of the agricultural property accumulated at the kolkhozes, sovkhozes, and state farms (approximately R9.3 billion) among the true owners and selling the remaining 20 percent.

We can begin implementing the program only when the procedure for evaluating the property subject to sale has been determined and approved at the Supreme Soviet and the methods for determining the value of land and tax rent have been prepared.

The joint stock companies being created today, unfortunately, do not have a legal basis. Often the workers of enterprises believe that they can divide up the property of an enterprise (kolkhoz) and it will become a joint stock company. Such a dividing up is illegal. The property of a state enterprise is public property; consequently, it belongs not to the workers of this enterprise but to all members of society. That means that it must be divided up among everyone. Perhaps the most acceptable criterion for dividing up public property may be length of service, regardless of the nature of work, wages, or place of work.

Part of the divided property should be transferred to citizens of Lithuania in the form of checks so they can decide for themselves where to invest their capital. The danger may arise that many shareholders of enterprises showing little profit may take back their share. In essence, that is the way it should be. But as long as prices are established at management levels and not in the market, the profitability of some enterprises may be low through no fault of their own. Therefore, initially we apparently will have to establish certain restrictions on movement of capital (checks and stock). In such conditions, checks cannot be converted into pure money.

A securities exchange is necessary from the very beginning of this process. It is at the exchange that checks should be sold at higher than face value—thus, larger amounts could be attracted into the investment sphere. A securities exchange (market) is necessary also because not everyone receiving the checks will want or be able to dispose of them, and not everyone will demonstrate a desire to become owners of investments. They also could sell their share on the market.

Such is the beginning of reform. The process of privatization and denationalization itself will be accompanied by the creation of joint stock companies, associations, state-stock enterprises, and private (personal) enterprises.

Bashkir SSR Economic Development Issues Viewed

914A0271A Moscow EKONOMIKA I ZHIZN in Russian No 46, Nov 90 p 11

[Statement on Bashkir SSR sovereignty by R. A. Yanborisov, secretary of the party oblast committee and doctor of philosophical sciences, transcribed by correspondents G. Saitov and V. Semenov, under the rubric: "Regional Problems of Russia": "Whither Gallops Salavat?"—first four paragraphs are EKONOMIKA I ZHIZN introduction]

[Text] *Robert Abdulovich Yanborisov devoted 27 years of his life to the Navy. He began his military service as a seaman stationed in the Pacific Ocean; he was honorably discharged with the rank of Captain first class in the reserve. In 1987 he defended his doctoral dissertation before becoming head of the Philosophy Department at Bashkir Scientific Center, attached to the Urals Branch of the USSR Academy of Sciences. In April 1990 he was elected secretary of the Bashkir Oblast Committee of the CPSU.*

What a range of rhetorical epithets have been lavished by the writing brotherhood on the Urals! It has been called the larder of the country, the fulcrum of power, the economic backbone of the fatherland, to name but a few. In the course of time, however, the fate of this stony outcropping has greatly changed. Its thoughtlessly squandered food resources have dried up, and the capability of this "mountain crest" to sustain itself has been weakened. In short, this former strong point has turned out to be lacking sufficiently reliable means of economic and social support.

The situation is further aggravated by the fact that the Urals region has almost everywhere turned into a zone of ecological calamity and social tensions. The universal scarcity is giving rise to resentment and disturbances even among the native population, which is well known for its patience. Sooner or later, however, the patience of everyone has a limit, and this impatience is going to manifest itself in a vicious circle of public demonstrations, political unrest, and periodic outbreaks of hooliganism among certain segments of the population.

With this in mind the editorial staff intends to publish a series of articles dealing with the most vulnerable areas in the economic and social life of the Urals. The first of them, which deals with Bashkiriya, follows.

Situated on the high, steep shore of the Belaya River in Ufa is a monument to the Bashkir national hero Salavat Yulayev: a rearing steed, clenching a bit between his teeth, lunges forward, carrying his proud rider—or so it appears—towards freedom. There may be seen the placid swell of the beautiful Belaya River, flanked by fields and forests wrapped in mist and, beyond, a rich and abundant land whose beauty delights the eye. Slowly but surely, however, a cliff creeps up on this monument; it now stands on the very brink of a precipice. That which serves as such a stirring symbol in the realm of art faces the imminent possibility of tragedy in real life.

Public opinion in Bashkiriya is now gripped by the ideas of independence and self-reliance. But the sovereignty and freedom about which there has been so much contradictory talk by everyone is now snarled in a knot of economic, social, and political problems in the republic.

We realize that the situation that has developed in Bashkiriya is rather typical of other regions as well. Under conditions of the administrative command system, the republic found it necessary to pay for economic and social development with restrictions on its independence. Local bodies, in effect, lost the capacity to manage production or to make decisions with respect to the use of raw materials and natural wealth. Eventually, this led to socioeconomic strains, ecological disaster, and

miserable living conditions in those areas of most vital importance to the people—public health, education, and the patterns of daily life.

The arbitrary rule by government departments led to an extraordinary concentration of chemical production plants in the republic. It is sufficient to say that we produce half of all the herbicides in the country; in one city alone, Sterlitamak, half of the sodium carbonate is produced. All this is done with the use of extremely worn-out, obsolete equipment, which causes frequent breakdowns. The Khimprom Association, for example, has been operating for almost half a century without undergoing any thorough renovation. Inevitably, this has caused a calamity in contaminating the drinking water in Ufa.

Another example. Over the entire course of its existence the Bashneft Association has extracted about 1.5 billion tons of petroleum, of which not a kopeck's worth has accrued to the benefit of the local budget; and 97 percent of such enterprises in Baskiriya are subordinate to the central departments! Despite its high economic potential, the republic occupies from 50th to 70th place in the Russian Federation in terms of social development indicators.

Add to this the immense disproportion in the development of industry. The production of goods by Group A exceeded 81 percent, while that of Group B came to less than 20 percent. The republic is obliged to import many times the amount goods produced that would have been required with a balanced development of industry. In 1989, for example, imports of consumer goods in Bashkiriya exceeded exports by a factor of 1.8. The sum of 1.5 billion rubles was spent for this purpose—of which half a billion was spent on foodstuffs alone.

Another problem is that half of all that we produce consists of raw materials or semifinished goods—in short, not final but intermediate products. There is no substantial profit in such a system. And all this has happened against the background of the republic's ecological impoverishment.

When one adds all this up, it becomes obvious that Bashkiriya itself is in no condition to cope with the entire complex of problems in the near future without assistance from the center.

But where does the truth lie here? We can criticize the center, yet without it there is no hope of extricating ourselves from this abyss of problems. Moreover, we realize, of course, that restriction of independence tends to develop a parasitical frame of mind, an attitude of "Give or not give—whatever you decide." Thus more than R11 million were wasted during the year on retooling for the introduction of new technology. For our industry, the fixed assets of which are valued at more than R25 billion, this is no more than a drop in the ocean. Industry is more and more obsolescent and the threat of breakdown is increasing. This same Khimprom Association, previously mentioned, had 12 industries shut down because of pressure from the "Greens." But this is not the way to go. The approach must be different. What we need is a broad, over-all rebuilding of the enterprises. Now, at last, we have received half a billion rubles for this purpose, and we would be only too glad to comply, but of course there are no building materials or equipment or manpower available. We lack the independence, and we lack the initiative. And this obvious set of circumstances only heats up the so-called "passion for sovereignty."

Once there was a popular slogan: "Bashkiriya for the Bashkirs." It must be acknowledged that even now it has its supporters. But the majority advocate a greater degree of economic and social independence rather than mere state sovereignty. The fact is that sovereignty is being proclaimed not merely by the Bashkir people, but by the people of Bashkiriya.

Seven possible declarations of sovereignty have been drafted and discussed in the republic. One of them is the work of the ideological department of the party oblast committee [obkom].

The belief that only political sovereignty can resolve the host of problems that have accumulated in the republic has its supporters and is reflected in our thinking, but it is untrue. It is patterned on the old administrative approach to the development of the society. It is essential to take into consideration the new realities that have taken shape. They are as follows. Bashkiriya today exports a third—while at the same time exporting two-thirds—of its grain supply. We take in twice as much coal as we give out—and almost four times as much metal! In determining what form our sovereignty should take, can we leave all this out of account? Of course not, especially in view of the fact that the extension of inter-republic ties is heating up the economy of the entire country.

Moreover, we must take into account the fact that the gaining of sovereignty occurs at the most difficult stage of conversion to a market economy. A new and, let us say it outright, alarming situation is developing in connection with this within the republic. One out of every seven enterprises in Bashkiriya (and there are more than 2,500) is not making a profit. What will become of them under market conditions? Even within the country as a whole, one out of three is non-competitive and survives thanks to "injections" in the form of department subsidies. What will become of them? Who will agree to subsidize them? And what will become of the people who work in these enterprises? What will become of the thousands of families? Clearly, the time has come when it is necessary to regroup forces, reshape the enterprises, and retrain the workers. A new developmental strategy is needed, one that is geared to the output of competitive products.

Consider agriculture. Because of inadequate development of processing industries, we are now losing up to a third of our output. We have only half of the facilities for storing vegetables and potatoes that are needed. In the

struggle for a "big harvest," we have left our cattle without fodder. It is dreadful to recall that 48,000 cows died in the republic in 1988. Yet just as many died last year. And what is being done about it?

Generally, we are hopeful that the independence of the republic will breathe new life into the rural economy as well. We will be developing new forms of economic management.

When we speak of sovereignty, we must also consider such an important factors as the ethnic and demographic situation in the republic. The publication of the various draft declarations of sovereignty has given rise to sharp differences of public opinion along lines of nationality. Diverse and at times mutually exclusive views have surfaced even in the mass media, tending to polarize society on this issue.

Certain hotheads have voiced demands for the creation of a Tatar autonomous oblast in the western regions of the Bashkir SSR. Similar demands have been made for the recreation of Ufa Guberniya (Oblast) and its secession from Bashkiriya, and so on. At the same time, no consideration whatever has been given to the distinctive national characteristics of the republic. The Bashkir nation was historically consolidated by taking under its protection settlers from Tatariya, Mordoviya, and elsewhere. People of 88 different nationalities reside with us today, the most numerous of them being Russians, Tatars, and Bashkirs. There are, in fact, 300,000 more Tatars than there are Bashkirs. If we choose the path of national autonomy, we will exacerbate relations between the various peoples of the republic.

As a basis it is necessary to assign a priority to the rights of the individual over those of people as a national group. By choosing to do so, we have an opportunity to create a society that will not simply respect but defend by all means at its disposal the right to freedom of its citizens.

Then and only then will the individual person, apart from nationality or place of habitation, feel himself a citizen of our country in the fullest sense. It is by defending the rights of each person individually that we can protect, while at the same time giving expression to, the rights of the national group.

As previously announced in the press, the Supreme Soviet of the Bashkir ASSR on 11 October approved the Declaration on National Sovereignty in the Republic. The Bashkir ASSR has now been transformed into the Bashkir Soviet Socialist Republic (Bashkir SSR)—Bashkortostan. The document reflects in its essential aspects the proposal submitted by the Ideological Department of the CPSU Oblast Committee. Its main feature is that it guarantees freedom and equal rights to all citizens living in Bashkiriya apart from nationality, social origin, political beliefs, religious affiliation, or other differences. Further, Bashkiriya will continue to support the national and cultural demands of those persons of Bashkir nationality who live outside the borders of the republic.

Our declaration, moreover, is distinguishable from those adopted in other autonomous areas by the fact that the development of Baskiriya in it is directly linked to strengthened relations with the RSFSR and the USSR on the basis of treaties and agreements—that is, without seceding from them. In other words, the relinquishing of autonomy is to be looked upon only as a transitional status in the direction of national sovereignty.

We stand at the threshold of a market economy. This presupposes the economic independence not only of the regions but of individual producers of goods. It is reasonable to believe that these market relations will serve to promote impartially the growth of ties that bind together the various regions of the country.

INTERREGIONAL, FOREIGN TRADE

Interrepublic Trade in 1989, 1990 Assessed

914A0280A Moscow SOYUZ in Russian No 52, Dec 90 pp 12-13

[Article by Lev Goldenberg, chief, Intersectorial Balances Department, Macroeconomic Statistics of Economic Indicators, Finances, and Prices Administration, USSR Goskomstat [State Committe for Statistics]: "Hopes for a Marriage Based on Calculation"]

[Text] **The weekly SOYUZ (No 21, May 1990) published an article entitled: "The All-Union Market: Realities and Prospects." Based on the basic data for 1988, it cited the indicators of products imported and exported, i.e., shipped in and shipped out, as well as the difference (the balance) between them. More than six months have elapsed since the publication of this article. What new things have occurred in the All-Union market during the years 1989-1990?**

Present-day economic life has far outpaced the most optimistic possibilities of statistics. But regardless of that factor, we can already speak about the results of goods exchange among Union republics for 1989 and the tendencies of economic ties for 1990. We can do this by proceeding from the operational data of USSR Goskomstat about the shipments and deliveries of certain, specific goods.

Radical changes are taking place in our country's economic life. Some of these changes can be seen but are difficult to express quantitatively, while others are hard to understand right away. We need time in order to analyze them and figure them out. Thus, in most of the republics 1989 witnessed a "splash" in the growth rate of income utilized, as compared with the previous year. This was due not only to the growth in the population's personal consumption linked with stock-jobbing demand, but also due to the increase in the remainders of

material operating assets (goods, production reserves, finished products, etc.). This phenomenon is diificult to explain under our normal conditions whereby the principles of the economy function within a system of planning and distribution. Because, after all, the production growth was modest, and in certain republics it even declined, whereas the growth of consumption (production and nonproduction types) was higher than production.

And even though imports increased, they did not do so to the extent that they covered or made up for everything. One of the reasons for such a paradoxical position, as the experts have stated, is the new situation whereby enterprises and organizations have the right to resell purchased material resources, equipment, and the so-called nonliquid items at contractually agreed-upon or stipulated prices, which are always higher than the nominal or "list" prices. A situation might come about whereby the value of a certain item would increase over the course of a year due to its resale. An increasingly greater place is being occupied by barter operations, a de facto exchange of goods in their natural, physical forms, almost according to K. Marx, as follows: "A frock-coat is deemed equivalent to 20 arshins of canvas or coarse linen, 10 pounds of tea, or 40 pounds of coffee."

The "shadow" or "underground" economy also has its own circulation system among the republics. All this, and not only this, corrects and adjusts the volumes and trends of importing and exporting products. Because, you know, according to the data which Goskomstat has at its disposal, the procedure for importing and exporting items is primary and ad hoc, although other variants are not excluded either.

Of greater interest, therefore, for analytical purposes are not the data on economic links for 1989, but rather their average annual indicators for the first four years of the present five-year plan (1986-1989). They are more stable and better reflect the situation in the area of goods exchange (and they are shown below in real USSR prices, in billions of rubles):

Union republic	Imports, including those from abroad	Exports, including those abroad	Balance between total imports (-) and exports	Consisting of:	
				interrepublic exchange of domestic products	foreign economic ties
RSFSR	135.28	103.48	-31.80	3.80	-35.60
Ukrainian SSR	50.67	44.68	-5.99	1.16	-7.15
Belorussian SSR	18.02	19.19	1.17	3.21	-2.04
Uzbek SSR	12.68	9.34	-3.34	-3.01	-0.33
Kazakh SSR	16.59	8.88	-7.73	-5.77	-1.96
Georgian SSR	6.27	5.84	-0.43	0.52	-0.95
Azerbaijan SSR	5.60	6.95	1.35	2.24	-0.89
Lithuanian SSR	7.14	5.89	-1.25	-0.40	-0.85
Moldovan SSR	6.06	5.24	-0.82	0.13	-0.95
Latvian SSR	5.91	5.17	-0.74	0.08	-0.82
Kirghiz SSR	3.82	2.55	-1.27	-0.54	-0.73
Tajik SSR	3.60	2.39	-1.21	-1.02	-0.19
Armenian SSR	4.78	4.17	-0.61	0.14	-0.75
Turkmen SSR	3.10	2.54	-0.56	-0.29	-0.27
Estonian SSR	3.65	2.94	-0.71	-0.25	-0.46

It may be seen from the data cited above that all the republics had an unfavorable, negative balance with respect to their foreign economic ties amounting to a total of more than 50 billion rubles. It was specifically by this much that the country imported more products than it exported, if calculations are made according to USSR domestic prices (as measured in world prices, the results of foreign economic activity during the current five-year plan have been more favorable—with a basically favorable, positive balance, except for 1989, when the balance was "minus" 1.5 billion international-currency rubles). Such a large difference in the results of goods exchange, depending on the type of evaluation, is tied in, to a great extent, with the "mirror" nature of Soviet prices, as compared to world prices. From the viewpoint of the goods balance due to high domestic prices on items being imported and the low prices on the items being exported within the existing structure of the goods exchange the conditions were created for a significantly unfavorable foreign economic balance for the Union republics.

It is also important, however, to single out another aspect of this process; and that is the financial aspect. Due to that same difference in prices, the country as a whole and the Union republics in particular can also obtain an advantageous profit—the so-called "income

from foreign trade." At the very least, in 1989, according to balance computations, the RSFSR was "credited" with 43.54 billion rubles of such income, the Ukrainian SSR with 6.38, the Belorussian SSR with 1.85, the Uzbek SSR with 0.44, the Kazakh SSR with 1.58, the Georgian SSR with 0.65, the Azerbaijanian SSR with 0.95, the Lithuanian SSR with 0.43, the Moldovan SSR with 0.45, the Latvian SSR with 0.24, the Kirghiz SSR with 0.07, the Tajik SSR with 0.26, the Armenian SSR with 0.25, the Turkmen SSR with 0.075, and the Estonian SSR with 0.076 billion rubles. These amounts were "credited" because this occurs, to a considerable extent, at the expense of the RSFSR's capital assets.

But in order that the republics may really obtain this advantageous profit under the conditions of self-financing, we must implement the following conditions:

a) Union republics should engage in a vigorous and positive foreign economic activity, and it would be desirable to have exports exceed imports as measured in currency, i.e., foreign exchange. Up to the present time fulfilling this last condition has been within the power only of the RSFSR and, in some regards, of Uzbekistan and Tajikistan.

b) Income or revenues from foreign trade should, for the most part, actually remain within the Union republics rather than being sent fully or basically to the "Center," and then redistributed.

The interrepublic exchange of our country's domestic products, which comprises a part of the republics' economic ties, is of independent importance. It is precisely here that their economic interrelations are manifested most clearly. On an average, for the four years from 1986 through 1989 eight republics were exporters. In the first place, this pertains to the RSFSR, Belorussian SSR, Azerbaijanian SSR, Ukrainian SSR, Georgian SSR; and, to a lesser degree, to the Moldovan SSR, Latvian SSR, and Armenian SSR, which have varying results from year to year.In 1989 Lithuania had an excess of imports over exports, but in the other years of the five-year plan it was an importing republic [sic]. The remaining republics were likewise importing republics with Kazakhstan and Uzbekistan having the greatest volume of imports.

It has already been emphasized in publications on more than one occasion that, in and by themselves, the results of importing and exporting products do not attest to the detriment or prejudice of certain regions or to the achievements of others. They should be received in the republics with understanding rather than with scorn. In the final analysis, under the conditions of this country's integrated, national-economic complex, cooperation in and specialization of production have been established over a lengthy period of time and not merely on initiative "from below." But frequently this has been unsuccessfully thrust upon them "from above." The entire difference between the import and export of products is to be explained by the evolved division of labor, the characteristic features of foreign trade, and by the imperfections of domestic prices within the country. Of course, the results of goods exchange exert an influence on the financial status of regions. Under the conditions of their economic independence, this is quite an important factor; but it must be regarded in conjunction with other financial streams connected with the import and export of nonmaterial services, the capital-investment policy and credit interrelations of the republics, the unorganized export of items by the population, etc. For this purpose we must draw up balances of payments republic by republic. In the final analysis, this problem boils down to making sure that, under the conditions of self-financing, the regions have their own assets and funds with which to pay for the products and services being imported. In an extreme case, due to an insufficiency of such assets and funds, credits would have to be taken, etc.; but they would be paid off by the regions themselves. That is the usual practice in the economic life of sovereign states.

And so what are now the characteristic features of the Union republics' economic ties? First of all—their weakening, their growing more slack. It is a well-known fact that in our country the Union republics have close economic ties among themselves. These ties are expressed in the substantial volumes of importing and exporting products in relation to the scope of production and consumption. Calculations have shown that these indicators with regard to imports (to the republic-level consumption) vary from 15 percent to 31 percent, and with respect to exports (in the republic's production)—from 12 percent to 27 percent.

The economic mutual ties among the Union republics are more intensive than those among the countries of the EEC [European Economic Community], as shown below:

	USSR	EEC countries (1988)
Interrepublic exchange as a % of GNP*	20.5	16
Interrepublic exchange as a % of exports including interrepublic exchange	80	60

* For the EEC countries, the term "interrepublic exchange" is taken to mean exchanges among each other

The less is the volume of a republic's production activity, the more intensive are its economic ties with other republics. Recent experience has confirmed that without retaining the existing Union market it is virtually impossible to ensure the viability and functioning of the national economy and social sphere of most of the republics. This is attested by the sad experience of events in Lithuania.

Everyone recalls that on 19 April 1990, in accordance with the decisions of the USSR government, economic measures of a warning nature went into effect. These measures were in connection with the political events taking place in Lithuania. Deliveries not only of petroleum, petroleum products, and gas, but also of several other types of products were halted to Lithuania. For the Lithuanian SSR, as it would be for any other region with a relatively small territory, population, volume of production, poor mineral and raw-material sources, it was extremely painful to suffer even a partial disruption of the ties which had evolved.

It is undoubtedly true that the events in Lithuania also brought about production difficulties in other regions of the country.

In the last few years there has been an "erosion" and a weakening or slackening of the economic ties among the republics, a factor which is linked to the decrease in the production of certain very important types of items, the "naturalization," i.e., conversion to physical rather than monetary terms, of production in various regions, manifestations of nationalism and local favoritism in many republics and regions, the increasing chaos in administering the country as a whole and the economy in particular, the failure to perform or fulfill contractual obligations, while, at the same time, an unorganized market is functioning.

In 1989, as compared to the previous year, the Union republics reduced the export of several extremely important types of items, in particular, food products. For example, certain republics, while increasing the production of meat and meat products, reduced their export to the other republics as follows: the Lithuanian SSR—by 25 percent, the Kazakh SSR—by 24 percent, the Moldovan SSR—by 19 percent, and the Ukrainian SSR—by 8 percent. Meat exports were also reduced by the Belorussian SSR, the Latvian SSR, and the Estonian SSR. While increasing the production of dairy items, their exports were reduced as follows: the Lithuanian SSR—by 6 percent, the Estonian SSR—by 11 percent, and the RSFSR—by 17 percent. Against the background of an increase of sugar production in the Ukrainian SSR, the RSFSR, and the Moldovan SSR, these republics reduced its exports.

The export of vegetables was cut back by seven republics, including the Moldovan SSR, the Tajik SSR, and the Gorgian SSR; the export of fruit, berries, and grapes was reduced by nine republics, including all the Central Asian and Transcaucasian republics, as well as the Ukrainian SSR. The export of flour was reduced by nine republics, including the RSFSR, the Belorussian SSR, the Baltic republics, etc.

The situation with regard to discipline continued to grow worse in 1990. According to working data for the period of January-October 1990, the level of deliveries to the All-Union stocks by all the Union republics, as compared with the analogous period of last year, decreased for meat products by 22 percent (only in the Moldavian SSR was there no reduction), for dairy products—by 15 percent (there was no reduction in the Kazakh SSR and the Moldavian SSR), for egg products—by 10 percent (there was no reduction for the RSFSR or the Kazakh SSR).

During the period of January-October 1990 the plan for interrepublic deliveries of all items being surveyed was not fulfilled as a whole: sugar was short by five percent, pastry and confectionery items-by seven percent, margarine products—by nine percent, tea—by 18 percent, sewn and knitted items—by 10 percent, hosiery articles—by seven percent, and leather footwear—by eight percent.

The results of goods exchange among the Union republics have been seriously affected by the imperfection of prices now prevailing in this country. But for most of the republics (including the RSFSR) we should not expect any improvement in the balance of the import and export of products due to a change in prices. If we focus our attention on the price rise which was proposed by the government in May 1990 to the USSR Supreme Soviet, an improvement in the overall balance of goods exchange can be hoped for only by the Kazakh SSR and the Turkmen SSR. As for the RSFSR, it would worsen the overall balance by several billion rubles, while the interrepublic balance would be improved by only one billion rubles, although the prices for petroleum and gas would approximate the world prices. At a session of the Russian Congress on 4 December 1990 the report of the republic's Council of Ministers stated that if the RSFSR were to make the transition to world prices in interrepublic exchange, this would provide it with 24 billion rubles. This delusion had already been refuted in previously published items (including one in SOYUZ, No 21, 1990). Not all the world-market prices can be blindly transferred to the conditions of the USSR's national economy.

Depending upon the future system of this country, the extent to which the republics obtain economic independence, development not thrust upon them "from above," but rather profitable for their fields of specialization, changes in the structure of the republics' reciprocal economic ties are possible. However, the basic directions and their contents will obviously be retained during the years immediately ahead. Without improvement and optimization of the interrepublic streams, the establishing or setting of mutually profitable prices on products being exchanged, and introducing a mechanism of obligation and fulfilling contracts, many regions of the country will turn out to be in a difficult position.

Black Sea Region Plans Economic Ties With Turkey, Other Countries

914A0275A Moscow TRUD in Russian 5 Jan 91 p 3

[Interview with Ernest Yevgenyevich Obminskiy, USSR deputy minister of foreign affairs, by I. Belov and Ye. Shulyukin under the rubric: "Pulse of the Planet:" "The Black Sea Will Become a Zone of Prosperity"]

[Text] **A new sphere of economic cooperation is being created in the region of the Black Sea, involving the Soviet Union, Turkey, Bulgaria, and Romania. These countries intend to combine efforts to convert the Black Sea basin into a zone of prosperity. At the close of the year delegations from the four countries met for the first time in Ankara to discuss launching the new program. E. Ye. Obminskiy, USSR deputy foreign affairs minister, discusses prospects for joint cooperation and results of the meeting in Ankara with our correspondents in the following interview.**

[Obminskiy] First of all, it is necessary to say that the proposal to create a zone of cooperation and prosperity in the region was initiated by Turkey. This idea is associated with the name of Turkish President Turgut Ozal. He made this proposal last August in a telephone conversation with M. S. Gorbachev, who gave it his personal endorsement. Later, diplomatic contacts on this subject took place at the UN General Assembly in New York, resulting in approval of the project by both the Bulgarian and Romanian leadership.

[TRUD] What specifically do you have in mind by creating a zone of economic cooperation and prosperity in the Black Sea region?

[Obminskiy] We have in mind establishing multilateral cooperation among the countries contiguous to the Black Sea basin—Turkey, the USSR, Bulgaria, and Romania—with due consideration for the integrating processes occurring in Europe and the rest of the world.

We believe that this new concept should be implemented as a process encompassing the whole of Europe, in the spirit of the Paris charter for a new Europe, and that it will prove to be a step in the direction of forming an all-European economic sphere.

An important feature of the Ankara meeting was the fact that the Soviet delegation included high-ranking political representatives from the Ukraine, Moldova, Georgia, Armenia, and Azerbaijan, as well as a representative of the RSFSR Ministry of Foreign Affairs. On the eve of the meeting, together with the republic representatives, we determined the particular areas that are of special interest for us at the current stage. It was decided to begin with such problems as the infrastructure, transport, ferry transportation, telecommunications, postal service, tourism, and ecology. These areas of cooperation also won the support of our partners.

[TRUD] Were specific projects discussed at the meeting?

[Obminskiy] Yes, a proposal was made to create a single beltway for traffic around the Black Sea, and also a proposal to establish ferry service, for both passengers and freight, between various Black Sea cities (for example, between Varna and Ilyichevsk). The Romanian delegation showed great interest in creating a single infrastructure of tourist facilities. The possibility was also discussed of closer commercial ties in the industrial processing of agricultural products and fish. Specific proposals were also made by our comrades from Krasnodarskiy Kray. Even more noteworthy is the fact that preparations are being made for a diplomatic conference on protecting the ecology of the Black Sea.

Thus there is already evidence of quadrilateral cooperation. Of course, many ideas remain to be worked out in greater detail by specialists in the departments concerned. The main thing is that the directions of cooperation have been determined and that work is already under way.

It must be said that the Turkish side is looking far into the future. It proposes establishing a zone of cooperation in which it would become possible to provide for the unimpeded two-way traffic of people, goods, and services as well as money. It is, of course, intriguing to anticipate a large area of economic activity comparable to the Common Market. But we are not ready for that now. Bear in mind our internal economic mechanism. Whereas Turkey has managed in recent years to strengthen its economy in accordance with free-market principles, in our country this process is still in embryonic form. This is equally so of Bulgaria and Romania. The establishment of a new economic area is to be viewed therefore in a more distant perspective.

Right now we are concerned with establishing the general principles and directions of cooperation in one voluminous document.

[TRUD] How can you explain the vigorous activity of the Turkish side in this regard?

[Obminskiy] Turkey has a number of internal problems. It should be noted, however, that this country in recent years has had a high growth rate. To a significant degree the interest of Turkey can be explained by the fact that it wants to play an influential role in the region. In cooperation with Turkey, we will be able to borrow from her experience in achieving the transition to a market economy and privatization—a subject that is now being hotly debated among us.

[TRUD] And so the Ankara meeting has laid the foundation of international cooperation in the southern zone of our country. What next?

[Obminskiy] We expect that when the republic representatives return, they will inform their governments and the business community of the conditions and opportunities that are being created for them to enter and participate in this sphere of cooperation.

I should like to point out that specific circumstances in this region have heretofore resulted in restraining business contacts. I have in mind political, ethnic, and inter-nationality problems. But we expect that as joint economic interests are discovered, the tensions that persist in this region will gradually diminish.

[Authors' comment] To the words of the deputy foreign affairs minister we should like to add that the problems of the Black Sea region are well known, not only to the people who live there but undoubtedly to tens of millions of other Soviet peoples who each year take their leave along the warm seaside. There are local difficulties with housing, food service, and transport. Finally, all too often, vacationers encounter the pollution of the Black Sea and the coast. It is heartening that our republics have unanimously endorsed the idea of fostering multilateral ties in the region. Possibly, the experience of cooperation will set an example for overcoming the friction between republics and reveal the potential for joint cooperative efforts. It is to be hoped that as we progress towards a market economy, direct ties between enterprises and other organizations will be set up, so that completion of the projects envisioned will not be delayed, as so often happens in our country.

Interregional Economic Agreements Concluded

Kirghizia, Tajikistan Sign Accord

914A0272A Frunze SOVETSKAYA KIRGIZIYA in Russian 4 Oct 90 p 2

[Unattributed report: "Kirghizia—Tajikistan: Mutual Interests"]

[Text] *The governments of the Kirghiz SSR and the Tajik SSR have concluded an Agreement on Economic and Cultural Collaboration.*

The parties have agreed to preserve mutual deliveries of products no lower than the 1990 level until 1996. Agreement has been reached to implement mutual relations on the basis of the corresponding treaties, agreements or protocols that are concluded between enterprises, organizations, institutions and bodies of territorial or state administration. Reciprocal assistance will be rendered in the preservation, establishment and expansion of direct economic ties in the trade of raw materials, products and consumer goods and the rendering of services while allowing for the conversion to market relations. It was noted that all enterprises and organizations may participate in the collaboration, regardless of the forms of ownership and agency affiliation.

Treaties will be concluded between the corresponding governmental bodies of the two republics, over the course of two months from the day of signing of this agreement, on the exchange of goods and on mutual deliveries of the most important types of products, in the realm of finance, science and technology, in the realm of construction and architecture, agriculture, timber, water management and fishing, the processing of agricultural raw materials, in the realm of industry, transport and communications, the press, television and radio, the protection of the environment, medicine and health care, culture and education, mutual legal assistance and the coordination of efforts to protect public order.

A readiness was expressed to exercise joint efforts in the sphere of interethnic relations and the pursuit of political, economic and other actions for the purpose of averting the infringement of national interests and threats to the integrity of the national statehood of the republic.

The decision was made to have a representative from the Kirghiz SSR in Dushanbe and a representative of the Tajik SSR in Frunze to coordinate the fulfillment of the agreement and the treaties that are concluded between the republics.

The agreement was composed in Frunze and Dushanbe, and was signed by A. Dzhumagulov on behalf of the government of the Kirghiz SSR and by V. Vakhilov on behalf of the Tajik SSR.

Kirghiz-Lithuanian Accord

914A0272B Frunze SOVETSKAYA KIRGIZIYA in Russian 4 Oct 90 p 2

[Unattributed report: "Agreement Signed"]

[Text] *In the capital city of Estonia, Lithuanian Prime Minister Kazimera Prunskiene and Kirghiz SSR Council of Ministers Chairman Apas Dzhumagulov signed a state agreement on collaboration in the realm of economics, science and technology between the two republics through 1996.*

"We are confident that this agreement has laid the foundation for direct, horizontal ties with the other Baltic states as well," said Apas Dzhumagulov. "The agreement we have signed, in my opinion, has great economic and, in the long term, political significance.

"The opportunities for economic collaboration with Lithuania are quite great, and we will try to make maximum use of them—we will deliver wool, electrical equipment, instruments and electric lamps to you; we will receive products of light industry, machine-building products and confectionery items from Lithuania. We hope that the volume of deliveries each year will be at this year's level, and we can supply even more of some types of products, for instance woolen fiber, with a regard for the needs of Lithuania. The idea exists of creating a joint venture with Lithuania."

Turkmen Prime Minister Comments on Turkmen-Ukrainian Trade Accord

914A0270A Ashkhabad TURKMENSKAYA ISKRA in Russian 29 Nov 90 p 1

[Interview with Kh. Akhmedov, prime minister of the Turkmen SSR, by an unnamed TURKMENINFORM correspondent: "The Future Is in the Collaboration of the Republics"]

[Text] As has already been reported, an agreement between Turkmenia and the Ukraine on economic and cultural collaboration for the years 1991-1995 has been

signed in Ashkhabad. The Prime Minister of the Turkmen SSR, Kh. Akhmedov, comments on this event at the request of a TURKMENINFORM correspondent.

[Correspondent] Khan Akhmedovich, the new step in the collaboration of the republics has been acknowledged by both parties to be historic. In your opinion, what is the exceptional nature of this event? The fact is that relations between the Ukraine and Turkmenia have longstanding and solid traditions and they are characterized by age-old friendliness. And the fact that more than 40,000 Ukrainians reside in our republic speaks for itself.

[Akhmedov] All this is so. And what is more, in the years of the Great Patriotic War Turkmenia received the creative organizations of the Ukraine like a brother. A mutual enrichment of cultures took place and spiritual kinship was strengthened. I observed how the eyes of the Ukrainian guests grew warm when our President reminded them of this. With no less interest they learned that fairly recently representatives of the Rukh movement had visited us in order to check on the conditions of the military service of their fellow-countrymen in our republic. They visited a number of border outposts and saw for themselves that the Ukrainian lads were not restricted in any way and were satisifed with the service. The guests had to cover their movie cameras—there were no sensations.

It cannot be denied that the relations between our republics are longstanding and solid. And it would be unfair to fail to mention that all these years the economies of the republics have replenished each other. Nevertheless, not having arranged things, we have come to this determination—it is an historic step. The fact is that for the first time in the history of our interrelations an agreement has been concluded on the basis of the complete equality of the rights of two sovereign states. However, for all the political exclusiveness of this event, the priority remains for things more earthly—you see, in the final analysis what is important is not a hymn to friendship, as this was previously understood, but it itself, filled with specific human content. And our dialog henceforth will be composed not of solemn phrases but of those obvious categories which will determine the measure of our mutual interest.

[Correspondent] But you see, the concept of "unselfish friendship" has become firmly established in the consciousness and psychology of our peoples. By itself it is a beautiful and noble concept. It turns out the turn has come to say goodbye to it for ever...

[Akhmedov] I don't think that mutual relations which envision businesslike calculation and mutual responsibility will rule out an atmosphere of trust and benevolence.

As to unselfishness, then indeed one should look into this category. What sort of unselfishness is it if as a result we have gotten what we have—an imbalance of all economic relations? It's time for us to stop thinking in ideological categories. We need to learn to build businesslike partnership relations. However, the main thing is that we are not beginning from a blank space; there are the traditions of the friendship and of the blood of Soviet peoples and this is a fact which one cannot either belittle or discard. I judge even by the work of our governmental commissions—not everything went smoothly. There is not as yet complete accord with respect to certain items but the factor of mutual respect, sincerity and frankness was the basis. There was even humor—the kind and good humor that is characteristic of our peoples.

[Correspondent] You have mentioned certain absences of agreement. What are they?

[Akhmedov] First I would like to note the constructive nature and the fruitfulness of the negotiations.

The agreement stipulates the mutual responsibility of the republics for the observance of its obligations and their joint measures to stop any attempts of enterprises and organizations directed at infringing the interests of one of the parties. Assistance will be given in the preservation, establishment and expansion of direct economic ties between enterprises and organizations for mutual trade in raw material and various products and the rendering of services, taking the transition to market relations into account, as well as in making good a shortfall in deliveries under contracts or individually accepted orders that has been allowed. Enterprises and organizations located on the territories of the republics, regardless of the form of ownership and departmental subordination can participate in the implementation of cooperation.

I would like to mention that the agreement was preceeded by intensive work with respect to the analysis of material balances, taking changing prices and market conditions into account. As friends and partners we tried to seek the golden mean for the national economy both of Turkmenia and the Ukraine. Today we have decided to retain stable deliveries based on the trends and volumes that have developed. However, even now both parties propose to supplement them. Let's say that we are asking for additional deliveries of meat, sugar, glass containers and sanitary engineering products. The Ukrainian side hopes to get additional cotton, wool, yarn and feed oil-seed cakes.

But now to the point of your question. First of all, the situation regarding deliveries of gas to the Ukraine has changed. Up to now the republic has received it directly from gas pipelines which came from Russia and they did not meditate there on what deposits it comes from. Now the Gazprom concern is insisting on the "address (adresnost)" of the deliveries. Now the Ukraine must specifically receive 31 billion cubic meters of gas from Turkmenia, which will be more costly for it. Therefore we put this question, how shall I put it, beyond the frame of our negotiations, signed a supplementary agreement and will continue the search for an optimal variant. We expect that the solution of the question will lead to a positive

balance of our commodity exchange with the Ukraine which, as stipulated by the agreement, must be compensated for by new deliveries of raw material, equipment and other goods. Let's say that in the area of trade we will be able to count on a twofold increase of deliveries of goods both of the food and nonfood types. We expect that an increase in the volumes of equivalent exchange will take place also in other sectors. The commissions are continuing their work. All agreements must be backed by specific contracts by 15 December.

By and large substantial analytical work has been done. And the main thing is the desire of both parties to develop economic relations further. We have always highly valued the products of the Ukraine and its constant stable and honest contacts with our republic. The prospects are very great. We think that equivalent exchange and mutual interest will become the guarantee of the continuation of relations. A further stage for us will be the creation of joint enterprises.

I cannot help but also mention the understanding with which the Ukrainian comrades approached the problems of our republic. Ukrainian provisions, mainly flour and consumer goods, are a great help for us.

The warmth of the friendly meetings, their frank and businesslike tone and the fruitfulness of the visit inspires hopes that by joint efforts the republics will dispel the gloominess in the economy. And we see a good sign in the fact that the visit of the Ukrainian delegation fell on sunny, spring-like, days.

Armenian Foreign Economic Ties Viewed

914A0270B Yerevan GOLOS ARMENII in Russian 15 Nov 90 p 1

[Article by S. Markosyan: "With the Help of Foreign Firms"]

[Text] We began to set up ties with foreign firms and organizations comparatively recently. It's a new thing and at first we did not know even what to begin with. The "brakes" of the time of stagnation and of old thinking were too strong: don't go cap in hand to the capitalists, they said.

But time goes on and today we are talking already not about timid attempts to set up contacts with them but about how to set up the operation of the first joint enterprises.

I found the Chief of the Foreign Economic Relations Department of the Armenian Ministry of Light Industry, Levon Simonyan, at a thing that is usual in our time: they had just installed a personal computer in the department and he sat at the control panel and tried to grasp the meaning of the columns of figures and symbols appearing on the screen.

"We got organized two years ago and the first steps indeed were timid," Levon Sergeyevich began his story, "but now, as they say, 'we have developed a taste for it' and we act more decisively. Our functions? The range is broad: helping enterprises in foreign economic ties, searching for partners for the creation of joint enterprises and of goods for export, preparing the documentation for the conclusion of contracts, sending specialists abroad for study, participating in international exhibitions and trade fairs. You can't list it all, new questions arise every day and one must find the answers to them..."

As yet only three joint enterprises have been registered in the system of the republic's light industry. An agreement has been concluded with one of the world's leading firms for the production of knitwear, Benetton from Italy. The Italians will introduce their own technology on their own equipment at a factory in Anastasavan and the dye shop is to be fitted out on the basis of a new technical plan. An Italian production engineer has already begun training the factory's staff for work on the modern machines. The conditions for organizing the joint enterprise are advantageous. The charter capital consists of equal shares.

Another joint enterprise is in the process of organization. The production of leather goods from split leather is being set up at the Yerevan Leather Association by the Italian firm Tsentro konchario tekhnolodzhika [as transliterated]. However, we don't have our own foreign exchange; one has to get a loan at Vneshekonombank (Bank for Foreign Economic Activity).

The joint enterprise Arevik with the French firm Blyuntser [as transliterated], organized in the Arevik settlement of Akhuryanskiy rayon, is not quite the usual thing for the sector. A plant for the production of metal concrete forms for slab house building in the earthquake zone is being built. On our side Armlegproyektstroy is participating in this enterprise. The French firm will supply the technology and part of the equipment while the construction of the plant building and other projects will be carried out by the ministry. The charitable organization "SOS Armenia" has allocated the funds for buying the equipment; the joint enterprise will assign part of the profit to it to replenish the funds for assistance to the disaster regions.

"During the last two years," L. Simonyan continued his story, "the ministry has obtained foreign equipment worth 110 million dollars from centralized funds. A new production unit for artificial fur using American and English equipment is being established in the production-trading knitwear association Eryebuni using these funds. Installation and set-up work is going on. The association was able to build new shops in a short time using its own resources. A 'turnkey' leather plant costing $200 million will be built in Talin. The Italian firm Grasseto konstruktsioni [as transliterated] was the winner of a competition to build this project. It found a creditor in a certain Western bank which agreed to allocate 85 percent of the amount needed; they must find the rest themselves. Two sets of equipment for the

vacuum packaging of ready-made garments in polyethylene film have been acquired in Sweden from the Svemateks [as translitertated] firm."

In the past year the ministry's enterprises have sent 13 million rubles' worth of its goods for export. This is very little. There are a number of offers from abroad to buy our products (silk fabrics, shoes, knitwear, ready-made garments, rugs) but concluding a contract means taking a risk. Ever greater difficulties with deliveries of raw material and goods from other republics are springing up. Contracts with suppliers for 1991 have not been fully concluded and there are refusals.

"We are operating under difficult conditions," said L. Simonyan in concluding our conversation, "and still we look to tomorrow with optimism."

PRICES, BUDGET, FINANCES

RSFSR Finance Minister on Confusion Over Savings Bank Regulations

914A0276A Moscow IZVESTIYA in Russian 5 Jan 91 Union Edition p 5

[Article by L. Ivchenko under the rubric: "From High-Level Sources:" "Are the Savings Banks Deceiving Their Clients?"]

[Text] Moscow resident A. Nekrasova called the editors: "Your writing about the nightmare that has been created today at the savings banks with that supposed incentive—raising the interest on term deposits—is correct. I also submitted to the temptation to get five-percent interest, instead of three, on the money I am saving for my own funeral. And I lost even the unfortunate sum that the term deposit had accumulated as a result—the account was closed in a transfer, and since it had been there less than a year, they didn't even give me the two percent..."

This was unfortunately not the only reply to our feature: "Open an Account at the Savings Bank" (IZVESTIYA No 330, 1990) in which both depositors and the employees of the savings banks expressed their disappointment with the government measure. Recall that the article discussed the highly novel terms for earning increased interest on term deposits—terms that virtually reduced that benefit to nothing. Lines formed as a result, although not that many were found who wanted to "freeze" their deposits for long periods. The supervisory personnel of Gosbank and the USSR Savings Bank were in raptures over their own actions—the negative processes had been halted, in their words, "we have created entirely acceptable terms, and the interest of the public can be felt" (USSR Gosbank Deputy Chairman A. Voylukov). The press and television never tired of citing the figure that about six billion rubles were placed in the new privileged accounts over the first 15 days of November alone. They did not specify, of course, that this was just 1.6 percent of the 360 billion rubles in deposits.

"I, for example, advised my mother not to close her long-term account and open a new one," the head of one of the savings banks told me. "What good is it if you can't even take the interest out? For many old people they were, as it were, a gift at the end of the year, and people took advantage of that. With the kind of pensions we have here, and such a sum—a great help..."

The government's attempts to tie up the "hot" money of the public did not even prove to be a half-measure in the chaos that arose in the country's finance and credit system. But perhaps it really is impossible to attract truly large sums (in which the state is extremely interested) with privileged deposits, like they think they can do at Gosbank and the USSR Savings Bank?

"Nothing of the sort," said RSFSR Minister of Finance Igor Nikolayevich Lazarev. "Look at the incentives being offered. If you give higher interest on just a few variations of deposits, so that a person can choose the most suitable and flexible for himself, and if the penalty is not like it is now for breaking the contract—that approach would undoubtedly attract additional funds. People will have a greater vested interest in deposits than in spending on what you will, even for things they don't need, so as not to lose their money altogether."

"But they feel at the USSR Savings Bank that it will be disadvantageous for the state otherwise. The first deputy chairman of the board, V. Solovov, clarified for IZVESTIYA that if they give increased interest rates to everyone, they will need 20-30 billion rubles. And there is nowhere to get them. Some 10-12 billion rubles will be needed for the version they adopted..."

"And just where do they get the 10-12 billion? In the budget? Nothing of the sort! That money is from the profits received by the bank for offering credit. The bank itself earns money on the deposits of the population, putting them into circulation and giving credit on interest to enterprises and organizations. The Savings Bank itself, while paying an average of 2.4 percent on the deposits of citizens, itself received 2.7 percent from Gosbank. On the same money! Gosbank credit is now up to 15 percent, and the commercial banks take nothing under 12 percent. You can be sure that if the Savings Bank gives a depositor five, seven or nine percent, it is getting more itself, otherwise they would go under; any commercial activity is based on profits. It is another matter that USSR Gosbank should have long ago ceased to invest the funds of the Savings Bank in the state budget for free, and given the Savings Bank the opportunity to develop normal credit on a commercial basis. The privileged terms that are being offered today cannot be called attractive in any way, and they will in no way make any substantial contribution to stabilizing monetary circulation. The legislators, before making some decision, should put themselves in the place of the

citizens and take their psychology and interests into account. An old approach was triggered here, attempts to act in the interests of the state, as if its citizens were in and of themselves with no relation to that state..."

"Do you yourself see some other decision that would be more advantageous both for the state and for the citizens?"

"Of course. A system, for example, with six versions of term deposits, which would allow a person to weigh up his opportunities and move his money around more easily. And perhaps to make use of several versions at the same time, holding two or three passbooks—for all of life's eventualities. Even if you start with four percent on a yearly deposit, but add a percentage point for every year of deposit—five percent for two years, for example, six percent for three, seven percent for five or six years and so on up to ten percent for a ten-year term of deposit—and let them have use of the interest that has accumulated each year and employ less severe 'punishment' for early withdrawal of the money, I am sure that that would provide a much stronger vested interest among depositors and attract more funds. It is namely the penalties, in my opinion, that are keeping people from the mass opening of the privileged accounts. A person, after all, can get only two percent under the new terms if he takes out his money even a month early—that is, less than for a three-percent term deposit. But the state, after all, had use of that money, used it to make money for several years! It would be enough simply to decrease the rate by one or two percent. It is just as profitable for the state. It is also possible, by the way, to take out your money prematurely out of ignorance as well—according to the prevailing system, nine percent is offered for a deposit of more than five years. How much more? It is not specified...

"It must, on the contrary, be popularized and elaborated that it is advantageous to deposit money, because the interest will be greater than that promised—it is, after all, compounded on the accumulated 'addition' to the deposit, and a person receives 10.3 percent rather than 10 percent over two years, for example. A seven-percent deposit will increase by 40.3 percent over five years; that is, a citizen who has loaned the state 10,000 rubles will get a little more than 14,000...

"Then there will be trust in the state and people will bring their money in, instead of buying everything in sight so as not to lose it."

"But after all, there are 360 billion rubles not covered by goods lying in the accounts right now. What is the sense of new terms for putting them away, of new measures of agitation?"

"First of all, the billions of rubles in peoples' hands force them to strip the store shelves in a panic," the minister feels. "We have to give the public confidence that their money will not be wasted. Second, the question of the terms has enormous significance in today's turbulent times. And these agreed terms—a year, two, five—for depositing make it possible for the state to figure out its capabilities. The large amounts of additional funds attracted to the deposits will reinforce financial circulation in the country and help increase the production of goods, reduce the deficit and cut the inflation level, which will reach a normal percentage level in a few years, then zero."

"So then what do you intend to do with your suggestions?"

"RSFSR Minfin [Ministry of Finance] is ready to submit its own draft to improve interest-rate policies on public deposits. If it is of interest to the RSFSR Council of Ministers and the Presidium of the Supreme Soviet of the republic, a more effective and efficient procedure for the deposit of monetary funds in savings banks will appear in Russia and, perhaps, across the whole country."

Kazakh SSR Decree on Indexation of Income for Inflation

914A0328A Alma-Ata KAZAKHSTANSKAYA PRAVDA in Russian 7 Dec 90 p 1

[Decree of the Kazakh SSR Supreme Soviet "On Social Protections for Low-Income Citizens During the Transition to Market Relations"]

[Text] **With the goal of averting a decrease in the living standard of low-income sectors of the population during the transition of the republic's economy over to market relations and of creating a mechanism to protect their monetary income from the consequences of inflation, the Kazakh SSR [Soviet Socialist Republic] Supreme Soviet decrees:**

1. To consider it necessary under the conditions of a transition to a market to create at the level of the republic, oblast, city, rayon, and labor collective a system of measures for social protection and support of the standard of living of the low-income population—children, families with many children, young and one-parent families, students and trainees in secondary special educational institutions, citizens who are unable to work, people with limited work ability, invalids, and retirees.

2. To entrust responsibility for the formation and functioning of the system of social protection and support of the population to the Kazakh SSR Cabinet of Ministers, the local congresses of people's deputies, enterprises, and organizations.

On the basis of this system it is necessary to propose social normatives and minimum consumer budgets (a minimum living standard) differentiated according to the regions of the republic and social-demographic groups of the population.

3. To charge the Kazakh SSR Cabinet of Ministers with:

- resolving questions of sources of financing and a mechanism for carrying out measures connected with the protection of low-income citizens;
- working out, coordinating with the Kazakh SSR Council of the Federation of Trade Unions, and presenting to the Kazakh SSR Supreme Soviet for approval minimum consumer budgets (a minimum living standard) for various groups of the population for 1991, as well as minimum amounts for wages, stipends, pensions, and other types of social protection. And conducting adjustments to them with regard for changes in the goods and services index;
- guaranteeing the population regular information on the composition of the "consumer basket" and on amounts of consumer budgets via the mass media.

4. To entrust the organization of practical efforts to render aid to low-income citizens to the local soviets of people's deputies.

To recommend to them, based on the possibilities of the local budget, to increase the normative volumes established by the republics for social aid rendered to individual categories of low-income citizens, and to introduce with regard for the special characteristics of the region supplementary privileges and forms of support for people who are unable to work, the aged, retirees, invalids, children, families with many children, young and one-parent families, and students and trainees in secondary special educational institutions.

5. With regard for rights that have been granted and for the economic independence of associations, enterprises, and organizations, to consider it necessary to stipulate via a system of collective labor agreements additional social aid using appropriate economic stimulation funds for workers and members of their families as well as for workers who are retiring onto a pension.

6. To establish that losses to wages, pensions, stipends, and allowances from a one-time increase of prices on consumer goods and services contained in the minimum living standard will be fully compensated for low-income citizens.

To take into consideration that:

- indexation of the income of citizens takes place in accordance with the Kazakh SSR law: "On Indexation of the Population's Income With Regard to Changes in Prices on Consumer Goods and Services";
- social aid to citizens who have lost work as a consequence of reorganization of production and reductions in personnel takes place in accordance with the Kazakh SSR law: "On Employment of the Population."

7. To consider it advisable to make the transition from a system of subsidies to producers of goods for the population over to one of subsidies to consumers of these goods, and to establish differentiated allowances to families for the purchase of children's goods in the following amounts (in rubles for one child per year): Up to five years old—60; 6 to 12 years old—72; 13 to 17 years old—84.

8. Attaching great significance to the provision of reliable social protection to families with children and to the regulation of measures to increase the standard of living of families with many children, to abolish previously existing one-time grants for the birth of a child that were differentiated depending on the sequence of the birth, as well as monthly allowances to families with many children on the fourth and succeeding children up to five years of age. In their place, to establish as of 1 December 1990:

- a one-time grant for the birth of a child in an amount that is three times the minimum wage;
- a single monthly allowance for children one and a half to six years of age in the amount of 50 percent of the minimum wage for each child supported by the family if the average total income for a member of the family does not exceed twice the minimum wage.

To increase monthly state allowances to single mothers (fathers) paid for each child until the child reaches the age of 16 years (for students that do not receive a stipend—18 years), to divorced men and women who do not receive child support allowances for children of that same age or receive them in the amount of 20 or less rubles per month, and to under-age children whose parents, by determination of the courts, are being sought by the organs of internal affairs in connection with a refusal to pay child support allowances—to 50 percent of the minimum wage.

For people residing in regions and localities where regional coefficients for wages are established, the amount of allowances is determined using these coefficients. If in a particular region various wage coefficients apply, those coefficients are used that are established for wages of workers and office employees in nonproduction sectors of the national economy.

9. To recommend that the local soviets of people's deputies begin practicing payment of allowances for living expenses as a special form of material support of low-income citizens and citizens unable to work. And that they use this form of allowance as a temporary measure of material support of a family or citizen on the basis of individual determination of causes and level of need; that they also practice the distribution of allowances for living expenses on a repayable basis.

The conditions and procedure for granting allowances for living expenses are determined by the local soviets of people's deputies.

10. Prior to 1 January 1991, for the Kazakh SSR Cabinet of Ministers and the local soviets of people's deputies to devise and adopt, with regard for the special characteristics of each region of the republic, programs to render social aid to low-income people, particular

citizens with socially weak protection. In the implementation of the programs, to make wide use of various forms of social support:

- to work out and approve a list of consumer goods, including food goods, that during the transition to a market economy will be subject to direct state regulation of retail prices, with the inclusion of goods that are part of the state order;
- to introduce upper limits for prices on several types of food and nonfood goods that are for the most part produced and sold on the territory of the republic or of the local soviet of people's deputies;
- to grant aid in foods and goods and organization of support for the period of the transition to a market economy and to put into practice distribution of coupons for guaranteed purchase of prime necessities and food products at state prices for families with many children, the aged, retirees, invalids, families of members of the military in compulsory term of service, and families with children in which both parents are in school with work being discontinued;
- additional monetary payments and grants for the purchase of individual types of food goods and nonfood goods, for payment of housing and municipal services, and for the purchase of medicines and other types of social aid.

11. For the Kazakh SSR Cabinet of Ministers to work out normatives for the population's social services according to regions, cities, and rural regions of the republic and, jointly with the oblast soviet executive committees and city soviet executive committees of Alma-Ata and Leninskiy, to adopt measures:

- to gradually introduce a network of boarding houses for aged citizens and invalids, as well as for invalid children up to established normatives;
- to broaden the network and increase the types of home services for solitary aged citizens and invalids;
- to create special territorial centers and residential homes with a complex of consumer services for that category of citizens.

12. To establish that, to the degree that prices for consumer goods and services increase, there will be appropriate indexation of monetary norms of expenses for the maintenance of public health institutions, social security, and public education with the goal of preserving norms of consumption of food and goods.

13. For the Kazakh SSR Cabinet of Ministers and the local soviets of people's deputies, for fulfillment of the additional functions proceeding from this decree and connected with the provision of social support to retirees, invalids, and the aged, to broaden and reinforce social security services. To organize the calculation and systematic investigation of the situation of low-income people with the goal of rendering them the necessary social support.

14. For the State Committee for Statistics, State Committee for Labor and Social Problems, and Ministry of Finances of the Kazakh SSR, jointly with the Kazakh SSR Ministry of Social Security and the Kazakh SSR Council of the Federation of Trade Unions, to conduct regular sociological investigations of the standard of living and income of low-income people and socially weak sectors of the population.

[Signed] Ye. Asanbayev, chairman of the Kazakh SSR Supreme Soviet, Alma-Ata, 29 November 1990

INDUSTRIAL DEVELOPMENT

Policy Reform Implications for Estonian Industry Viewed

914A0322A Tallinn SOVETSKAYA ESTONIYA in Russian 18 Oct 90 p 2

[Interview with Toe Klementi, Institute of Estonian Economic Development, by A. Favorskaya: "There Is a Program; Will There Finally be a Policy in the Republic's Industrial Sphere?"

[Text] **Not long ago, as the newspapers in Tallinn have already reported, our republic prime minister's foreign specialist-consultants assembled at the usual time. Among other things, our economy's structural policy and the prospects for Estonia's making use of international aid were discussed in this interest group. Thomas Waldin [Toomas Valdin], a businessman from the United States and graduate of the Massachusetts Institute of Technology [given as "Massachusetts Technological University"] (one of the five largest universities in the United States), headed the group's work. Like the meeting's other foreign participants, who speak Estonian even today, he now devotes part of his business energy to helping his former homeland.**

As for the structural policy under the new conditions itself, in the economy and, specifically, in Estonia's industry, the republic's specialists had already done their development work in this regard several months before. Yulo Kess, doctor of technical sciences, and Toe Klementi, master [kandidat] of technical sciences, from the Institute of Estonian Economic Development, together with Mekhis Pilv, general director of the Department of Foreign Economic Relations, had headed the program at the request of the Ministry of Economics.

We asked Toe Klementi to expand on these matters in greater detail.

'Legal' Money Will Not Come Without Laws

[Klementi] Our industry provides over 60 percent of the entire gross public [national] product. There are, of course, very many difficulties in this today, particularly with the enterprises' subordination: There is, for example, a dual Union and republic subordination. With property reform, all the more difficulties will be added.

Nevertheless, having discussed all of this, the specialists came to certain conclusions....

On the one hand, political development now is in the sort of stage, in both the republic and the entire Union, which, like it or not, compels our potential partners to stay in wait-and-see positions, although they all understand that very great changes, in one way or another, are in the offing. We, in the republic, have been preparing for these for a couple of years, and are doing certain things. The bolder firms have already begun to show significantly greater activity than heretofore, apparently proceeding on the premise that whoever starts first will prove to be in the stronger position in the future.

On the other hand, and this also is no secret, the overall economic situation, in both our republic and the Union, is growing worse and worse. From this it follows that the time has come to stop perfecting ultimate concepts and the goals at which we wish to arrive in four or five years, and think more practically: what to give the nation in half a year.

In other words, it is necessary to start the transition process as such. Let us all begin acting practically, without excess passion, so to speak.

[Favorskaya] Are arguments nevertheless occurring here about which orientation—Western or Eastern—to choose in market relations?

[Klementi] The question should not be put that way. Inasmuch as 97 percent of our goods is going to the Union market, this, considering our economy's realistic level, will still remain the main direction of our trade for many years. And here, by the way, we have a great advantage over Western businessmen: we are on the Eastern market, if it may be so expressed, and essentially its people anyway. We have many relations and personal acquaintanceships there, we know the language, and we know the way of thinking—everything necessary, which is possessed to a significantly lesser degree in the West. We should take advantage of all this. After all, we shall be obtaining a substantial part of our raw materials from the East, even in the future. However, we also should prudently combine with this our trade opportunities with the other side.

The Western businessmen stressed that our legislative work is proceeding too slowly and is insufficiently systematized, and that it would be wiser to develop our laws in packages that would cover some field of activity in its entirety. This is also slowing the speed of our progress and delaying the arrival of foreign capital in Estonia to a somewhat similar extent. For example, for so long as there is no law regulating the right of foreign capital's operation here in the republic, Western firms will have no confidence. So far, the way to handle profit has not been regulated—how much of it must remain here, and how much foreign firms may take out. Therefore, the businessmen think: the most immediate thing that we must do—this is somehow to "round off" the legislative work's results, and provide the requisite guarantees to the firms, and to our enterprises and organizations as well, so that they may start operating. Designate the operations' limits. These, indeed, are sometimes understood in such a way that the market—this is total freedom of operation for everybody. The market itself, it is said, will put everything in its place. However, absolute freedom nowhere and never occurs, particularly in market relations. If someone begins to act solely in his own interests, all of his partners soon lose their trust in him, and usually drive him off the market. It is necessary to set general limits on "freedom of operation," but to grant complete freedom within those limits to each enterprise and its management; to tell it, simply speaking: Make money! but within the limits of these laws.

It would be wise to arrange a foreign market onslaught here, so that every producer might begin to feel the competition. Of course, those enterprises which do not ensure their products' quality would then be supplanted. We have quite a few of these, which quality has never worried before. Under the new conditions, they would immediately begin to realize this because their goods would stop being purchased.

Of course, the state must create the sets of measures which exist in the West, and which provide monetary aid to the unemployed, as well as retraining, and even housing, upon a worker's relocation to another place when an enterprise is, for example, permanently shut down. At present, we are firmly bound to our "square meters."

We Need Not Change That Which Works When the Finger Is Pointed at Us

[Favorskaya] How do you assess privatization's chances?

[Klementi] We talk about it a great deal now, but another step, which is talked about a lot less, should precede privatization.

We now call the state the property owner. However, we should be specific: What does this mean? It occurs to me that the government could appoint caretaker councils of the Western type, which would oversee the activity of state enterprises in order to prevent abuses there; and the enterprise director could, in that case, act as the state-owner's specific representative and administrator, whose main task would simply be to "make money." The state might tell him something like this: Look—there is a certain amount of capital at your disposal- -operate, and the greater the profit, the better. A certain share of this profit would, of course, go to the owner (the state) itself.

And, when the owner has been specified in this way, then privatization can become the next stage. At that time, those enterprises which, out of whatever considerations, are not advantageous to the state, it will sell—either through the state property department or in certain other ways. Here one must realize that the owner, of course, has the deciding voice in this matter. At times, the state may keep even a not very profitable plant if it provides for some sort of social balance. The private owner strives for profit, and is not obliged to be concerned with what

will happen to the people in case of a reduction in production; that is the state's business. But when the state does not have an opportunity to arrange the people's employment in that or another region, when there simply is no place to put the people, it consequently will be more prudent for it to keep that plant in its ownership for the time being, and try, without causing drastic changes, somehow to modernize or change the aim of its production in order to make the plant profitable. And then someday, perhaps, the plant may be privatized.

It is often done this way in the West. For example, a private plant has gone bankrupt. The state may buy that plant back into its ownership for the purpose of ensuring the people's further employment. This may prove to cost the state more dearly than some other settlements of the matter, but, considering all of the social aspects, this alternative turns out to be the most prudent. We, too, should bear such mechanisms in mind.

Something else that I fully agree with—this is that the training and retraining of personnel at all levels, from the lowest to the highest, is becoming more and more important for us. We are obliged to come up to international standards in this matter. This not only applies to the general education system, it also applies to specialized education, as well as to vocational knowledge and skills, and even to the everyday cultivation of interrelations. Here is something elementary: We are not in the habit of answering letters, for example, which is simply unthinkable in the West. They point the finger at us in this regard. How is it there? If I have written and mailed a letter, I am sure that I shall receive an answer quite soon. In the worst case, it will be the answer that the addressee has no response to make to me. The Western businessmen complain: Letters go to you—as into a bottomless pit—and there is no news about the future.

Or: Among us, people are still debating whether it is necessary to know the Estonian or the Russian language supplementarily. However, if the plants are going to enter the international market, they will not be competitive without knowledge of the English language. Now, Germany has been united—and the German language's role is starting to grow again in European relations. In the West, knowledge of four or five languages, if only to the extent that interrelations may be maintained, is usually considered entirely normal among business people.

We are very inadequately oriented in what the market is and what stems from it, in marketing for example. And not only the leading executives, but also the entire technical and economic staff at the enterprises must know this, and all must be oriented in this.

We must develop our infrastructure. What is that? First, it is the means of direct communication with all corners of the world (at the moment, it is practically impossible to make a direct telephone call to Estonia from the United States). Air and steamship lines to and from our northern neighbors have already appeared. It is necessary that there be a suitable network of hotels as well. We are discussing whether to create a free economic zone in Narva, but the same question will immediately arise—about developing the infrastructure and building or reequipping an up-to-standard hotel in Narva for the Western specialists who will come there—because, despite their sympathy, these will feel uncomfortable, to put it mildly, under our "domestic conditions," to which we are accustomed.

[Favorskaya] If we may, let us briefly return to privatization. The legal framework has hardly appeared, so is a disorganized process now taking place here in the interim?

[Klementi] In the shift from one ownership to another—when an enterprise is transferred into a collective's ownership, or a stock company or people's enterprise is formed—legally this is all being done tentatively. In principle, the selling out of state property is permissible.

In general—and this also is the opinion of our guest businessmen—**it is unnecessary to rush the privatization process.** State enterprises, especially if they are profitable, should remain the state's for the time being. A plant management appointed by the owner-state should feel a responsibility toward it and ensure a profit, but, beyond that, should act at its own discretion.

[Favorskaya] Are there already examples here, in which plant managements are acting just this way?

[Klementi] At the moment, disorder is rampant. The more aggressive are acting, and no one is forbidding their doing so. The more passive are awaiting instructions from above and trying to put everything together. However, neither the one nor the other has the sense of security that they are staying within the limits of the law and will not be prosecuted one fine day.

[Favorskaya] On what did the meeting participants' opinions coincide?

[Klementi] On the matter that the most important thing—this is to institute **now** an economy program—for funds, materials, and resources—at all levels, from top to bottom. We do not have heat regulators [thermostats], and, if we look at our living quarters with a thermoscope [termovizor], we will see whole streams of heat that the houses' walls and the windows are radiating into space. We do not turn lights off. The foreigners have estimated: if our industry would do its job properly, we could, for the same production volume, cut our energy expenditures almost in half!

[Favorskaya] Did they use our statistics?

[Klementi] Ours, and their experience. The following is an example: One of the guests went to wash his hands, returned, and said: "Dear colleagues, you have a faucet that shuts off poorly and leaks. I have roughly estimated: the leakage will be about 200 liters per day. How much will this be per year? Who will pay for this? **Whose** faucet

is it anyway?" "Nobody's," we said. He continued: "When I ask such a question in my organization, where 6,000 persons work, I always get a specific answer; I am told **a name**...."

[Favorskaya] We intend to start bringing all of this "into public awareness" here, and it is simply intolerable to wait any longer.

[Klementi] Of course. However, we are used to it, and do not notice the disorder because we are not paying for it out of our own pocket.

[Favorskaya] I cannot agree. The people, rather, are tired of disorder and the impossibility of somehow correcting it. You can run back and forth for months, but you will not get either new sanitary equipment or the aforementioned thermostat.

[Klementi] I think cooperation will help resolve even this matter, and will straighten it out. In addition to all of this, competing cost-accounting offices, which will serve us, should appear. This is possible with imported equipment and technology.

A Time Crisis in Unclear Weather

[Favorskaya] Does the new structural policy anticipate the breakdown of enterprises?

[Klementi] If we start breaking the large enterprises down now, it will again be a forced procedure. Here we need to examine every individual case in detail, every one.

[Favorskaya] And who should make the examination?

[Klementi] The matter has not yet been fully resolved.

This is my personal opinion, but so far there is no technological policy [tekhnopolitika], as such, at the government level in our republic. We, at the Institute of Estonian Economic Development, have completed the work on industry's structural policy. The Academy of Sciences Institute of Economics should have done the same for the whole economy. However, they felt that the situation was changing too rapidly for such a voluminous task.

[Favorskaya] Nevertheless, it probably was possible at least to approximate and assess the alternatives.

[Klementi] I would say it like this: Our Ministry of Industry really has not yet taken its place in the industrial sector. And that which we have proposed has thus remained a proposal, although it also, of course, constituted only the first steps.

But, as for who should examine the advisability of breaking down the enterprises...we do not have the sort of center that could specifically undertake precisely that.

Let us imagine that the situation at some plant is quite serious. It is proposed: Let us break it down. For this, however, it will first be necessary to make a thorough techno-economic analysis, and find out why the situation developed. It will be necessary to study the situation in the market: What might this plant put out? Why is its present product not selling? What does it lack—quality? advertisement? What might sell, and what might the plant realistically put out? In what volumes? What product volumes might prove to be profitable? Whence could the plant obtain the raw materials and all necessary components for the product, and how reliable would those connections be? And there are many, many more such questions. Only when all of this has been clarified, can the next question be taken up: In what organizational forms and with what structure is it more efficient for the plant to operate in the future? If it follows from the foregoing that breaking the plant down and making certain subdivisions independent is more efficient, and if, at the same time, each of the small plants, as well as the whole aggregate, will also be profitable, then this should be undertaken. But, if it turns out to be more prudent to leave the plant as it was, then let us not break it down.

You yourself understand that, at every plant, its workers are not always able to make such an analysis. Besides, the workers may be affected, and thus too subjective. Moreover, if we want to do all of this with the participation of foreign capital or the use of certain aid funds, all of it must be formulated in accordance with rules commonly accepted in the world, which we simply do not know how to do at present.

It might be possible to use the Center for Development of Estonian Technology for this purpose. The center might act as an organizer—bringing in the specific technical specialists that will be required for the purpose, and submitting their techno-economic conclusions either to the department that is engaged in privatization, or to the Department of Foreign Economic Relations, or to the plant itself. This matter is now under consideration. The idea has not been rejected, but neither has it been approved.

[Favorskaya] You have already remarked on this curious situation several times. Can it be, however, that the crux of this matter lies in the insufficient knowledgeability of the specific people who are supposed to solve these problems?

[Klementi] I must repeat: At the moment, there actually is the impression that the Ministry of Industry so far has not shown an interest in this. We, in the Ministry of Economics feel: The present political and economic uncertainty may, of course, be cited as justification. However, the point is that if clearing of the "political sky" is awaited, then by the time it finally clears, we shall already have lost too much time.

I personally think that we are going to have that center or something like it. Here it may be added that the Estonian Industry Association—"Uni-Est"—was formed recently and, in it, they also came to the conclusion that it is more prudent, not for each enterprise individually to develop

relations with foreign partners, but to form a certain nucleus, and act through it. With Eastern partners everything is far simpler. Not long ago, the first group of our plant managers, mainly from plants of Union subordination, was in Sweden ("Uni-Est" actually arranged this), and, as far as I know, that trip proved very useful.

Thus reality itself is nudging us toward such communication channels. When we begin making use of the West's financial aid, we must bear in mind that it also will be rendered through a prescribed single channel in a prescribed manner, and that agency will take care that the allotted funds are used for the intended purpose, and not spread around or simply put "in the bag."

[Favorskaya] Let us summarize what has been said....

[Klementi] I would repeat: There has been enough refining of ultimate goals. The general direction is clear. Let us begin acting practically in that direction—and move on to a market economy, even in industry.

POST-PROCUREMENT PROCESSING

Sugar Beet Processing in RSFSR Examined

Krasnodar Kray Aiding Northerners

914B0056A Moscow SELSKAYA ZHIZN in Russian 24 Oct 90 First Edition p 1

[Article by Yu. Semenenko, Krasnodar Kray: "Where is Sugar Lost?"]

[Excerpts]

[Passage omitted]

Of course, in the Kuban as a whole we have not been successful in mending the broken "field to plant" conveyor. As before (only two rayons are an exception), kolkozes and sovkhozes have their own interests: to increase bunker weight, plant workers have established as their goal the production of the largest quantity of sugar. In the final analysis, this lack of coordination of economic and technical policies results in a production shortfall. Why?

Sugar beets contain 16-18 percent sugar. However, actual sugar output is considerably lower. For example, in the Kuban it comprises 10-11 percent. This is an average. However, local plants process not only their own home-grown harvest but also the raw materials that are brought in from Ryazan, Orel, Tula and other oblasts. Thus effectiveness is even lower.

"Of 30,000 tons of beets delivered by railroad during the winter from the northern parts of the country we today have produced less than a bag of sweet crystals. The husks, an entire barrow-full, 'flavored' with rotten soil and several thousand rubles of losses—these are the results of processing," said I. Maksimenko, director of the Korenovskiy Plant, about the results of this maneuver. Yet hundreds of people, thousands of cars and many Kuban plants were activated.

We can reproach the northern beet farmers for prolonging harvesting. But the main reason for the colossal losses of sugar have to do with the extremely small capacity of plants located within the Central Chernozem Zone, the Transvolga and the RSFSR Non-Black Earth Zone. The "scissors" between the production and processing of raw material has been "cutting" hundreds if not thousands of tons of sugar with depressing constancy already for several decades.

Meanwhile, Kuban sugar processors, who in the opinion of the center are better supplied with capacities, have been giving a helping hand to their northern colleagues, and they have had this hand outstretched for longer than one year. Plants actually are larger here, but there is also a considerable quantity of beets—about six million tons. This is why their processing continues until February and sometimes until March. It is not surprising that by the end of the season Kuban sugar processors produce only 7-8 percent sugar from the root crops.

It is truly a ruinous arithmetic! This magic in figures, which is a remnant of the former Minpishcheprom [Ministry of the Food Industry] has a tendency toward exacerbation. Equipment is becoming decrepit. In many plants its depreciation equals 60-80 percent! Yet there is no replacement equipment. Indeed, where would it come from since we received most of our equipment and mechanisms from CEMA [Council for Mutual Economic Aid] countries according to a diminishing curve? This year they are not providing shipments.

Sugar processors are left with one hope—the conversion of "defense." Yet who knows when this will happen. Indeed, will it be able to sufficiently supply contemporary equipment?

RSFSR Processing Problems

914B0056B Moscow SELSKAYA ZHIZN in Russian 2 Nov 90 First Edition p 1

[Article by L. Konorev, A. Russkiy, V. Rudenko, and G. Yevstifeyev, TASS correspondents for SELSKAYA ZHIZN—Belgorod, Tambov and Tula: "Will We Have Sugar?"]

[Text] Not only farmers and directors of local organs of authority but consumers as well are following the course of harvesting this year. They are interested in a simple question: Will we have sugar? After all, last year's reserve did not last until the present harvest, as is evident. In many cities and villages stores ceased to honor coupons for sugar during September to October, and this is the time for the preparation of various jams for winter.

According to reports of the State Commission on Food and Purchases of the USSR Council of Ministers, this year 77 million tons of sugar beets are to arrive at sugar plants—almost the same amount as last year. The harvest that has been cultivated is not a bad one.

Moreover, the sugar content of beets is one percent higher than last year, which enables us to produce more sugar with a lesser daily processing of raw matierals. As of 25 October 3.7 million tons of sugar were produced, which is 70 tons more than at the same date in 1989. But it is not possible to harvest everywhere. In Kursk, Voronezh, Orel and Ryazan oblasts rains did not allow farmers to begin harvesting on schedule. Things are going well in the Ukraine and in Krasnodar Kray, but there the problem is different—delays in sending off processed products. Only 900 railraod cars are provided of the 1,200-1,300 confirmed by government schedules.

Today harvesting has been favorable for the beet farmers of Belgorod Oblast, which has already carried out orders for the sale of 3,200,000 tons of sugar beets.

"But it is too early to start being complacent," said A. Plakhotin, deputy chairman of the agropromsoyuz. "A half million ton of root crops are lying in pits, but their

shipment has been delayed because the trucks that were dispatched from other regions had already departed and there was a shortage of our own vehicles."

Unfortunately, during the height of harvesting operations poor work by railroad workers became a rule. The beet campaign in Belgorod Oblast is no exception. Each day the southern railroad provides fewer cars than needed—one-fifth of the required number. Plant storehouses are full of sugar. Over 110,000 tons have accumulated here. Because of this in a number of plants it will be necessary to either stop production or to store sugar in the open. Both of these choices will mean many losses.

Not a single one of the eight sugar plants in Tambov Oblast is working up to full capacity yet. Even though a good root crop harvest has been produced and the season is at its height, only about 900,000 tons of sugar beets have been harvested and only 262,000 tons are ready to be sent to plants. It is unlikely that with this slow pace of harvesting the cities and settlements with almost 1.5 million population throughout the oblast will be fully supplied with sugar. Its shortage is already creating enormous lines in city and settlement stores.

But the imperfect distribution mechanism functions in such a way that the sugar shortage is being felt in both regions that have ruined the beginning of the "sweet" harvest as well as in those that have been able to precisely organize the harvest-transport conveyor.

For example, the same rains washed out the beet fields of two neighboring rayons—Rasskazovskiy and Bondarskiy. Heavy equipment sinks equally into boggy furrows. However, the workers of Rasskazovskiy Rayon prepared ahead of time pits with awnings near the fields, where they are painstakingly cleaning root crops of dirt and placing them in storage piles. The entire rayon has been encouraged to help to save the harvest, including large plants such as Spetsstroymashpremont, the biochemical plant and Elektroteplotrassa in the rayon center, with its population of 40,000. Working shoulder to shoulder with workers in the fields are N. Perepechin, first secretary of the party gorkom and N. Sergeyev, chairman of the rayon executive committee. Each day 5,000 city residents come to the fields to help kolkhoz farmers; they have already harvested about half of the beet plantation.

In Bondarskiy Rayon, however, workers gave in to the bad weather and, it appears, shrugged off the harvest. As a result the root crops were harvested on only eight hectares, which is four percent of the entire area. This is why Bondarskiy Rayon, like the majority of the 23 rayons, has been subject to sharp criticism at the regular meeting of the oblast extraordinary commission for saving the harvest. Ye. Podolskiy, chairman of the oblast USSR Soviet of People's Deputies, has demanded the immediate organization of a two-shift harvest regimen in each of the 450 enterprises and increased discipline of transportation workers, whose fault it is that since the beginning of harvesting operation 27 people have been killed and 67 have been injured.

Fall bad weather is not an obstacle to machine harvesting of sugar beets in the northernmost beet-sowing enterprise of Tula Oblast—Kolkhoz-Breeding Farm imeni Lenin. Its combines go into the fields and into the slush when the equipment of other farms remains idle. The all-weather technology of harvest operations has helped to eliminate the caprices of weather. The rich harvest of sugar beets is being harvested by the kolkhoz-breeding farm itself without the recruitment of city drivers.

Unfortunately, this experience has not been widely disseminated in the oblast even though beet farmers became acquainted with its advantages as long ago as last year, when the kolkhoz-breeding farm tested the machine harvesting technology on a small experimental 60-hectare plot. The sluggish pace is costing the government dearly. Despite the fact that hundreds of city residents have been recruited for harvesting, its pace is significantly slower than last year's. We still must harvest over one-third of the sowing area and frost is threatening to appear soon.

Kursk Oblast Problems

914B0056C Moscow SELSKAYA ZHIZN in Russian 19 Dec 90 First Edition p 1

[Article by A. Shiglenko, Kursk: "Who Needs the Million?"]

[Text] Sugar beets remain in the soil and in piles that have not been removed from the fields.

The reasons for the delay in harvesting is being explained by poor weather, the absence of transportation and the shortage of fuel...One will hardly ever hear an admission that Kursk workers cannot deal with the beet field that is too large—about 190,000 hectares. Yet it has not been possible a single time to process all beets to the last root without losses. We should not await a miracle, if only because all 13 sugar plants located in the oblast are capable of processing no more than 3.5 million tons of root crops per season, whereas almost a million tons more are actually raised.

Each year the directors of Kursksakharagroprom [Kursk sugar agroindustrial committee] send a telegram and couriers to Sumy, Orel and Krasnodar with a single request—to accept beets. Sometimes this helps. But more often than not the harvest disappears under the snow.

At the height of the season sugar processors are involved in looking for railroad cars and in unloading raw materials. Last year about 20 million rubles were lost during loading and unloading operations. Judging by everything, the sugar branch is on the threshold of a serious crisis. This is due not only to losses, to which it is doomed by the "extra" million tons of raw materials. Materials, equipment and spare parts are not available.

There are no specialized building subdivisions that would be involved in the renovation of enterprises, which are often from pre-revolutionary times.

The question of cadres is another matter. At one time sugar plants were islands of industry in the agricultural realm and it was considered prestigious to work in them. Now Kursk Oblast, one of the most "sugary," is not training either engineers or technicians for the branch. The only PTU [Production-technical administration] that graduated sugar processors closed many years ago.

The beet-harvesting campaign is looking depressed and dismal. I feel that the solution is to have the oblast soviet of people's deputies determine the size of sowing area for beets. We cannot do without a complex program of renovation of sugar plants, cadres training and a solution to social problems.

Altay Kray Fulfillment

914B0056D Moscow SELSKAYA ZHIZN in Russian 23 Dec 90 First Edition p 2

[TASS article: "State Orders Fulfilled"]

[Text] Barnaul, 22 December. State orders for product deliveries have been fulfilled by collectives of Altay Kray's sugar industry.

Since the beginning of the year branches have sent 56,000 tons of sugar and 4,500 tons of yeast—more than last year—to the trade, confectionary and bread-baking branches. The kray's sugar plants are now operating according to a tighter schedule. Tens of thousands of tons of beet roots received from Voronezh and Omsk oblasts are being processed on a mutually-advantageous contractual basis. Business relations between sugar refiners and kray kolkhozes and sovkhozes that have overfulfilled the plan for the sale of beets to the state have become stronger. Four thousand tons of sugar have already been produced from above-plan raw materials. These raw materials from the beet-sowing enterprises of Altay Kray which are working well can be used completely.

Belgorod Oblast Fulfillment

914B0056E Moscow SELSKAYA ZHIZN in Russian 28 Dec 90 First Edition p 2

[TASS Article: "State Orders Fulfilled"]

[Text] Belgorod, 27 December. The restructuring of the beet conveyor has enabled the processing enterprises of Belgorod Oblast to fulfill state orders for sugar output for this year ahead of schedule.

Over 344,000 tons of sugar have been produced. This is the result of cooperation between production partners—beet-sowing enterprises, vehicle transportation enterprises and sugar plants. There has been a significant increase in sugar output per ton of raw material, comprising an average of 12 percent. By the end of the year collectives of oblast processing enterprises intend to produce no fewer than 26,000 tons of sugar above state orders.

LIVESTOCK AND FEED PROCUREMENT

Feed Shortfalls Hamper Livestock Sector

914B0078B Moscow PRAVDA in Russian 25 Dec 90 Second Edition p 2

["Commentary" by PRAVDA Agroindustrial Department]

[Text] Can a plant manufacture a plowshare if metal has not been provided to the plant? The answer is self-evident. However, it turns out that chickens can be bred at a poultry farm without feed. This is precisely the idea that reports from our correspondents suggest. However, there are no miracles. As the data of the USSR Goskomstat [State Committee for Statistics] indicate, in this past 11 months kolkhozes [collective farms] and sovkhozes [state farms] sold 333,000 tons less cattle and poultry and 2.5 billion fewer eggs than in the similar period of last year. Specialists believe that this entire shortfall was due to a feed shortage and the poor quality of feed.

What happened to the mixed-feed industry? Last year, it furnished 66.7 million tons of mixed feed and 2.7 million tons of protein and vitamin additives to rural areas. Deliveries of 63.8 million tons of mixed feed and 1.9 million tons of protein and vitamin additives were planned for this year. However, enterprises did not manage to produce even the reduced amount. The agroindustrial committees and ministries of agriculture of Union republics failed to fulfill the plan of 11 months for producing mixed feed.

Is this to say that the fault of the mixed-feed industry is evident? Alas, employees of the industry do not agree with this assertion. They ask what mixed feed was to be prepared with, given that state resources turned out to be skimpy, and our storage nooks were empty? Indeed, the demand for raw materials was not fully met. Grain to the state by the kolkhozes and sovkhozes is in arrears to the tune of 18.5 million tons. For example, Russia failed to supply 13.8 million tons, the Ukraine, 2.2 million, and Kazakhstan, 1.7 million tons. Even the grain for which the state has paid money to the farms is not being delivered. Local "sovereign" authorities are forbidding the shipment of grain from their republics. Meanwhile, they are demanding mixed feed from state resources.

The mixed-feed industry is choking in the absence of protein raw materials. Areas sown to grain, pulse, and oil-bearing crops are growing extremely slowly. The catch is declining, and along with it the production of fish meal. The production of yeasts is being wound down. The plants are forced to produce simplified mixes instead of standard products. What is the result? Cattle and poultry loss are on the rise. The farms have begun to wind down production.

It has come to the point when poultry farms have nothing to pack finished products in for shipment to buyers. There is no lining, no boxes, and no packaging materials for meat products.

Livestock and poultry breeders are bewildered: Since the state has a monopoly on disposing of the products of poultry farms and large livestock complexes, who if not the state should take care of reinforcing the mixed-feed industry and delivering raw materials and containers to it? The shelves of our shops will remain empty otherwise.

FOOD PROCESSING, DISTRIBUTION

Estonian Official Discusses Necessity of Price Increases

914A0363A Tallinn SOVETSKAYA ESTONIYA in Russian 12 Dec 90 p 2

[Report on statement by Boris Vaynberg, deputy director of the Estonian Republic Department of Prices, by correspondent A. Podvezko: "On Economic Justice, or Who Is Paying for the Switch to the Market?"]

[Text] **Why, as it strives to bring the true cost of goods into line with their retail prices, is the government of the Estonian Republic increasing only retail prices? For it is common knowledge that many consumer goods are being sold at prices higher than their value....**

Readers have recently been asking this question often. Our correspondent asked the same question of Boris Vaynberg, the deputy director of the Estonian Republic Department of Prices.

In fact, this question is worrying a great many people. Prices are a kind of detonator of social tension. Therefore, it is essential to make things clear.

The fact is that for various reasons the present price system envisages an artificial increase in retail prices for some goods against their prime cost, and the same kind of artificial decrease for others. In the former case, the state is doing this by imposing turnover tax; in the latter case, it is derived from budget subsidies.

Turnover tax and excise tax both in our practice and world practice are significant sources of income for the treasury.

For example, it follows from the figures published on 5 December in RAKHVA KHYAEL on the 1991 draft budget for the Estonian Republic that the proportion of receipts from turnover tax and excise tax into the budget will be more than 70 percent (1.1 billion rubles [R] out of R1.5 billion). The lion's share, as you can see. It would seem that given less emphasis on tax, republic goods could be less expensive. But that is a delusion. And I shall try to explain why.

Let us turn to subsidized goods. These include primarily meat and dairy products, for which retail prices were raised in the republic starting on 15 October. But goods for children, public transport, and so forth are also subsidized.

The desire to maintain stable prices for them, which was until recently considered an advantage and gain of socialism, turned out to be a calamity for our economy.

Judge for yourself. Some simple calculations show that increasing the output of meat by one kilogram per capita in the USSR increases state costs by at least R1 billion. The more meat is produced, the less profitable it is for the state (!?). And not only for the state but also for the producer, to whom the state is simply unable to pay very much. This is the absurdity to which we have reconciled ourselves for decades.

Artificially low prices (given low wages) not only provided no incentive but even led to the development of disproportions in the economy. In order to prevent those disproportions from developing into a crisis, price reforms were periodically carried out on a central basis.

The last such reform occurred eight years ago. And the latest was planned for 1 January 1990. Within the USSR it was necessary to raise wholesale and retail prices by more than R200 billion. However, this government proposal resulted in the well-known negative reaction from the USSR people's deputies. And the price reform was postponed to better times out of populist considerations.

Of course, this was a serious setback and a manifestation of indecision on the part of the Union Government. Price increases would have enhanced the interest of producers and to some extent halted the decline in production in the country. Thus, the subsequent switch to free prices would have been less painful. But now the national economy has moved into deep economic crisis.

Nevertheless, some prices in the country did change: Beginning 1 January 1990, transport rates and prices for diesel fuel rose and social security deductions were increased, which affected virtually all enterprises, and by no means all of them were compensated for this greater expense. And then began the avalanche-like process of shifting the higher costs through prices.

There is more. Under the slogan of freeing up prices, the so-called commercial prices for output produced over and above that established by state orders were permitted. But under conditions of weakening central power in the country and political instability, this step led to a situation in which supplier enterprises are ignoring delivery discipline and, in the literal sense of the word, are bringing their clients to their knees: "If you do not want it at this price I shall give it to someone else."

Given this kind of outlawry it is difficult to imagine receipt of raw materials, materials, and equipment at fixed prices, or at contract prices with norm price profitability.

You can see that we shall not manage without reform of wholesale, purchase, and retail prices. And if this process has started early here in the republic, you can be sure that it will very quickly spread to other republics. Of course, raising prices do not add to the popularity of any government. But surely someone must begin to push aside the agglomeration of the past.

In synchronization with price reform, a process of price liberalization is taking place. It is necessary as far as possible to come closer to the real cost of output, with simultaneous compensation for the adverse consequences on the public.

So, starting 1 January 1991, the prices of raw materials, materials, and equipment, electric and heat power, and liquid and solid fuels are to be raised, and the norms for amortized deductions and social tax increased. New taxes will go into force—a tax for use of natural resources, income tax, and turnover tax.

Now it is time to turn to the question of the possibility of reducing prices for some goods. Unfortunately, taking into account the factors listed above and the rising prime costs for output, we can expect no price reductions in the near future. On the contrary, we must prepare ourselves for higher prices, not only in our republic but everywhere.

In order to enable the market to really work what is needed is to "treat" the sick economy on a comprehensive basis. This is quite a long process. We shall not succeed in creating an open, self-regulating market in the next one or two years. The existing economic structure, in which output worth R2.7 billion is being put into the Union market while R355 million of output is being sent to the West, will not change in a short period.

We must obviously go through two stages. The first is to extricate ourselves from a deficit economy, including a painful regulation of prices, and the second is to move toward a normal market situation.

Of course, equilibrium prices that balance demand and supply of goods and services are in line with the principles of a normal economic system. It is not excluded that prices may be set on a central basis, but since it is impossible to set prices for an endless diversity of goods at the center (in Moscow or in Tallinn), for the most part they should be contract prices and free prices. Free prices together with the independence of enterprises and horizontal economic links constitute the minimum from which the market should start. And the degree of freedom must be constantly increased, giving due consideration to market saturation.

This road does not promise easy victories. Time is needed, along with the will and competence and art of combining economic and social policies. But light will appear at the end of the tunnel.

GOODS PRODUCTION, DISTRIBUTION

Conversion: Estonian Uranium Plant To Produce Consumer Goods

914A0336A Tallinn MOLODEZH ESTONII in Russian 20 Nov 90 p 1

[Report by ETA correspondent F. Kaazik: "Conversion Sillamyae Style"]

[Text] Uranium production has ceased at the Sillamyae Chemical-Metallurgical Association. The premises have been emptied of equipment. Some of it has gone for scrap and scrap metal, some is to be decontaminated. According to the chief engineer at the association, Valentin Sushko, by the end of the year everything should have been completed. The available premises will be used for the production of goods for the national economy.

What does this conversion mean for the enterprise? First of all a switch to the production of output to satisfy the consumer—permanent magnets, catalysts, artificial emeralds, fabric for air filters, respirators, fertilizer, components for the manufacture of paints. V. Sushko names many enterprises in Estonia as consumers—the Pyussi Wood-Particle Board Plant, "Vazar," the Maardu Plant, collective and state farms. Incidentally, permanent magnets are a very promising product, and in this field cooperation is under way with a West German company, using local raw materials. This output is essential for everyone who produces domestic instruments. It is planned to produce boxes for video cassettes in cooperation with a company in the United States.

Interest in Sillamyae's new peaceful output is also being shown in the Soviet Union, and all necessary conditions exist for successful barter. V. Sushko believes that Estonia could obtain goods from virtually every republic for the association's output. The enterprise is still subordinate to the Union Ministry of Atomic Energy and Industry. In answer to the question of how relations are being set up with the Estonian Republic, V. Sushko replied diplomatically that there is a certain amount of caution vis-a-vis the enterprise here. In his opinion, the Estonian Government is underestimating the capabilities in Sillamyae. Moreover, at this time the association is firmly tied to the Union ministry in matters of supplies. In the event that there is a move to separate the enterprise, it could be converted, for example, into a joint-stock company. Perhaps then it will be easier to find a common language. For the time being a course has been set toward expanding cooperation with enterprises in Estonia. Does the secret nature of the enterprise interfere with the work? In the opinion of the chief engineer there is no difficulty. Of course, every enterprise has things about which they do not speak aloud, for example, prime costs. For it is, after all, a matter of competition, particularly in the foreign market. And the people in Sillamyae do have such a market.

Prospects of Mass Workers Movement Discussed

914F0115A Moscow SOVETSKOYE GOSUDARSTVO I PRAVO in Russian No 11, Nov 90 pp 68-78

[Article by I. G. Shablinskiy, editor of the Soviet Political Sciences Association, candidate of philosophy: "'The Worker Question' in the Context of Democratization: Thoughts on the Sources of and Several Prospects for the Mass Workers Movement in the USSR"]

[Text] One of the realities of the country's political situation has become the development of the mass workers movement, which is having a perceptible influence on the moral and political climate in society and is groping for its own social niche. After several months of wavering (from August 1989 to May 1990) conditioned by need to select political guidelines, the most influential workers in the association (the Council of Workers Committees of the Kuzbass, the Donetsk City Workers Committee, the Vorgashor "Democratic Workers Movement," and others) have come out unambiguously in support of the radical version of democratic reforms and distrust of the old nomenklatura structures, which are connected one way or another with the CPSU's monopoly position in the power structure.

But can the guidelines selected be considered firm? Isn't the pendulum going to swing in the opposite direction with the sharp worsening of the material situation for the factory population in the next three to four years? And what about the danger arising, during that period, of the foundations of parliamentarianism and pluralistic democracy now taking shape "at the hands of workers who have run out of patience" being destroyed? After all, transition to the market mechanism of price formation without a corresponding level of mutual understanding in the "people-power" system is fraught with mass disillusionment.

So it makes sense, first, to clarify where "our" workers'[1] movement originated. Would it have been possible, say, without preliminary cleansing democratization, without a powerful four-year "artillery preparation" carried out by the radicalizing mass media? An affirmative answer to this last question, in my opinion, is closer to the truth than a negative one. Outbursts of mass workers' protests (perhaps less organized but fiercer than in the summer of 1989) have become inevitable, given certain virtually insurmountable (under the given political regime) factors, the action of which during the 1960s-1980s could be characterized briefly in the following manner: the socioeconomic system that feeds the totalitarian regime, against the will of its adherents, with increasing strength stimulated ordinary consumers to want more than it could give. This point deserves more detailed discussion.

The Evolution of Social Demands and the Political Situation

Strange though it might sound in this context, but over the last two decades the standard of living of the "factory-plant" lower strata has risen on the whole, as is consistently reflected in their conceptions of material comfort. What in the 1930s seemed the peak of one's dreams—individual apartments, a set of communal services, a private car, and so on—30-40 years later somehow imperceptibly had been relegated to the number of utterly ordinary (although not always accessible) goods of so-called real socialism. Demands for the work of cultural institutions and the mass media—all the departments that ought to have taken into account the growth in the population's spiritual needs—changed accordingly. Simultaneously, elements of the mythologized, ideologized consciousness were being crowded out by more rationalistic aims (this process got under way in all the republics of the union, but, we would say, in the Baltics it proceeded more quickly than in Russia or Ukraine). The task set by the CPSU to create a "new" man was resolved in a highly unexpected manner. Under conditions of growing material comfort and per capita literacy, the "new" man shaped up as demanding, captious, skeptical, and not very trustful of official reports.

Possibly to conserve the Stalinist model of socialism the optimal condition in general would be freezing the structures and consumption level that have already formed in society. And on this level the Albanian and North Korean leaders acted quite logically, putting the process of distributing material (and in equal manner spiritual) goods, as well as the rise in the standard of living, under super-harsh state control. But this kind of line was unacceptable in principle for the Soviet leadership of the Khrushchev-Brezhnev eras. Unacceptable for many reasons. Above all because, remaining in international isolation and artificially braking the growth in the people's standard of living, it would have been difficult to pretend to the role of flagman of social progress. Moreover, neither the political culture nor the spiritual qualities of the Soviet leaders of the post-Stalin era corresponded to the coarsely ascetic ideal of socialism that combines material scarcity and the notorious purity of ideas.

Slow but inevitable growth in the standard of living during the 1960s and 1970s, scientific-technical progress and the accelerated urbanization associated with it, and the continued wiping out of traditional and patriarchal elements from the life of millions of people—all these processes led especially to one important result: an escalation in citizens' material and spiritual demands. In and of itself this kind of growth is a highly unfavorable condition for the maintenance of political uniformity. There is no direct dependence here. But any split between the expectations of the population and reality, if this population, already knowing "what's what," is inclined toward thrift, pragmatism, and caution, is fraught with danger for the leading and ruling party.

Having achieved a certain level of prosperity, people have discovered that they are living under conditions of general shortage which they gave little thought to before, when they lacked the most elementary things. This phenomenon has long been familiar to sociologists: shortages and the sins of an economic system that have been endured by a "silent majority" long and patiently as something inevitable begin to provoke sharp irritation as soon as the possibility of significant improvements appears on the horizon and as soon as this majority discovers that they could be living in a more interesting and better way today. Simply put, citizens learn to want more. And the proportionately growing disparity between the desired and the actual fosters an attraction in the mass consciousness to changes in general and to political dissent in particular.

Are the present-day bearers of conservative, authoritarian-statist thinking in the USSR aware of this circumstance? In general, they are. Confirmation of this are words heard at the April (1989) Plenum of the CPSU Central Committee: "We have an excellent understanding of our economic opportunities, our material resources. And slogans and appeals, especially given the current demands of the population, which we encourage artificially every day with examples, with comparisons, and with criticism, are not going to solve our problems. This leads to delays and the development of consumer moods that the electoral campaign has already showed us vividly."[2] The desire to represent the mass media ("abusing" comparisons and criticism) as at fault for the uncontrollable growth in demands has a long tradition and today, of course, looks silly. However, on the whole, the statement cited accurately defines the chief threat to the system of bureaucratic monopolies. This threat decreases the more primitive the structure of demands of members of society and the more easily it is appeased with the formula "be happy with what you get."

The Movement Revives

Insofar as one can judge today from available materials and testimonies of witnesses, the July mass strikes, despite how organized they were, were not the result of laborious, advance organizational activity. They were an expression of the dissatisfaction, offenses, and moral dissatisfaction that have been accumulating among workers' (and not only miners) for quite a long time. There was no specific preparation for mass strikes as such, although they did not arise out of nothing. The ground had been prepared. Since about 1987, in various cities of the country, informal associations have been appearing that have brought to the forefront tasks of a socioeconomic, "quasi-trade union" nature and have been oriented around a corresponding, more or less homogeneous social base. In Sverdlovsk, cooperation between humanities students from Urals State University and workers from a turbo engine factory was expressed in the formation of the Workers Club. At the same time in Moscow several dozen people, who had traveled from various cities of the country in order to assist a worker dismissed unfairly from a Riga enterprises (the fate of this worker was reported by KOMSOMOLSKAYA PRAVDA) formed the Intercity Workers Club. A few months later, in 1988, the resolution of a difficult labor conflict connected with the number of "black" Saturdays in an important enterprise in Yaroslavl, an engine factory, led to the appearance of the informal YaMZ Workers Club. By this time analogous factory and interfactory associations (as a rule, very small, 10-50 people) across the country already numbered several dozen.

Movement began as well in regions that consequently became epicenters of worker protest. In particular, in March 1989, at the Severnaya mine (Vorkuta) the first major strike was carried out. Vorkuta's social climate changed: the city's politicized "informals" grew into a force corresponding qualitatively to another level of political resistance. Even then worker activists posed a series of questions to the heads of the branches and the city leadership, who took them seriously only in July, after a general strike.

On 8-9 July 1989, an organizational committee was formed in Moscow to hold a congress of independent workers movements and organizations. Raising the question of this kind of independent congress was stimulated by fragmentary reports in the press about an initiative born somewhere in the bowels of the CPSU Central Committee to hold a congress of workers.

The workers organizations that had formed by that time (including the strike committees) met these reports in approximately the following manner: "What, is someone going to speak in our name again? Are the party and trade union committees going to be choosing the delegates again?" On the official level such doubts were expressed by the chairman of the Lithuanian Union of Workers, People's Deputy K. Uoka, who read from the tribune of the USSR Supreme Soviet an appeal to the participants in the Moscow gathering. The appeal also contained demands to rescind certain norms of the Labor Law Code (KZoT), especially on the right of the administration to change essential terms of the labor contract without the worker's consent.

However, after 10 July, after an initially small group of miners announced a strike, the center of workers' activity was relocated to the coal regions. Actually, by that time the movement's structure had become polycentric. In the USSR Supreme Soviet demands were heard (including well-known political demands) from the strikers of Kuzbass, Vorkuta, Donbass, the Lvovsko-Volynskiy coal basin, and other regions. In the twenties of July, the miners who had come to Moscow to approve the protocols of demands handed around a first draft law on the resolution of collective labor disputes, which provoked general indignation and a decision to carry out protest actions immediately, right away. If to this is added the other fact that on 2 July in Vilnius the constituent assembly of the Lithuanian Union of Workers—the first officially registered independent workers' organization in the country—was held, then it is very obvious that July 1989 became literally the month of revival for the workers' movement in the USSR.

As the movement developed over the following months, two stages can be distinguished with a certain degree of conditionality that are significantly important for understanding the political maturity of the strike participants and their ability to participate in a real way in the democratic process. The first stage was connected with the resolution of an issue that had become a stumbling block for the strikers of the pre-perestroyka era: whether or not to disband strike committees immediately after attaining agreement, whether or not to preserve the new organizational structures. The party-trade union leadership's acute mistrust of these structures and its burning desire, in the discussion of the draft law on strikes, to

exclude strike committees from among those organizations authorized to direct protest actions—all this is wholly explainable. Both historical experience (Polish Solidarity) and simple logic suggest to adherents of political and trade union monopolism that any structure that has arisen on a wave of mass protest and that possesses a specific political charge, not dependent on the will of its creators, inevitably begins to develop according to its own special laws. Laws certainly contradictory to the system of party-trade union monopoly.

The issue of preserving the strike committees was resolved very quickly and, as it is put, automatically (this in itself speaks to the serious evolution in mass consciousness connected with the new assessment of and new attitude toward collective political action). In August-September 1989, the majority of city strike committees were registered in local ispolkoms as new permanent public organizations—workers' committees.

The second stage in the development of the movement was conditioned by the necessity to institutionalize (i.e., secure politically and legally) those of its functions and structures not of temporary (connected, for instance, with fulfilling a list of concrete demands) but of permanent importance both for participants in the movement itself and for the political system as a whole. Apart from political, i.e., external conditions for this institutionalization, the internal maturity of the movement, its separate structures, and the individual groups inside the working class are enormously important in bringing about that institutionalization. It is a matter of the ability of one or another workers' association to become an independent and stable political force that does not break up into its component parts over the slightest disagreements among its leaders or over the spontaneous curtailment of all its functions after the administration (or the government) meets various of its primary demands. Unlike small informal and already politicized workers' clubs and groups, it is much harder for large workers' organizations to maintain unity and functional integrity during the transition to a higher level of political tasks. Only a few formations born in the July wave of protest moved on to this level. We should cite especially in this regard the Union of Workers of Kuzbass (ST Kuzbass), formed 18-19 November 1989. Despite the presence in its program of several very serious political pronouncements (for instance, about the right of citizens to acquire duplicating equipment and the necessity of a multiparty system) that tempt anyone reading the document to consider the ST Kuzbass a new party, still the union is not (at least not yet) a party in the full sense of the word and in accordance with Item 7 of its program. This integrative formation, which is playing a most active political role in the region, is experiencing broad popularity among individual social and professional groups and a definite lack of trust among others and is constantly concerned that political ambitions will be satisfied at the expense of the union's social program. Disappointment awaits anyone who is inclined to draw an analogy with the birth of Solidarity in Poland. By force of several specific causes connected above all with the national coloration of the Polish workers' movement in 1980 and its special "pioneering" role in the reformation process, L. Walesa's trade union from the very beginning enjoyed a kind of authority that the Union of Workers (due to no fault of its own) obviously will never achieve.

On 20-22 December 1989, an organization was created on the basis of the strike committee of one of the Vorkuta mines ("Vorgashorskaya") and registered with the local soviet as the "Democratic Workers' Movement" (DRD). Its program document states that the DRD shall defend the rights of workers and facilitate growth in its prosperity and the development of the economy on the basis of diverse forms of property. It should be said that analogous processes are going on, if not as intensively, in the factory sphere of cities that were not touched by the strike wave. On 13-14 January 1990 in Chelyabinsk, a constituent confederation of the city's Union of Workers was held. An organizational committee for the creation of similar organizations was formed in Leningrad and Moscow, and politicized interfactory associations are functioning as well in Bryansk and Volgodonsk. Today there also exist several clubs formed around a single enterprise: the Dialog Workers' Club (Krasnoye Sormovo), the Pulp and Paper Combine (TsBK) Workers' Clubs (the city of Kondopog), the Magnit plant (Kanev, the VAZ Workers' Union, and many others. Experience shows, however, that structures like this require an outlet to the interfactory level in order to survive. Within the framework of a single enterprise, and in the absence of conflict situations, it is frequently hard for them to find their own social niche.

The Political Spectrum of the Workers Movement

For decades the totalitarian system's dominance has taught us to see, to some extent even unconsciously, the person earning his living with the help of a worker profession, as the staunch bearer of the official ideology. An ideology calling itself Marxist. According to its postulates, the working man in general should not possess any political world views other than the communist view. This myth (among many other myths) was carefully fed. Up until recently, there were only vague murmurings among us about the fact that the majority of workers in the countries of the West (and the East, too) preferred other parties and ideologies—not communist at all.

Soviet workers (also up until recently) spoke from the pages of the press and from the screen approximately the same words, which fit beautifully inside the framework of "the sole true teaching." When in the summer of last year entirely different speeches were heard from the squares of mining towns, some responsible comrades were even inclined to doubt: Don't the strikers' making noise under the windows of the gorkoms sound like outsiders? Deception and self-deception in appraisals of the political awareness of individual workers stemmed, naturally, from a number of reasons, one of them being

the dominant voluntary or involuntary perception of the worker as an adjunct to a machine, factory equipment. That is, the chief feature of the worker's consciousness was considered to be his image of himself as an active participant in the productive process, the representative of the most "numerous and advanced" social class, the bearer of specific economic class interests. The worker appeared in only one hypostasis: as the "direct producer." This perception was very one-sided and one-dimensional. It was not taken into account that, say, family situation, nationality, attachment to specific group traditions, literary tastes, place of residence, or even a good or bad opinion of rock music could mean much more for many workerss' political self-definition than their notorious class interest. This latter is in essence also a myth, insofar as one has to stretch to talk about a single working class. There are agricultural workers in sovkhozes and there are worker miners, there are worker supporters of independence of the Baltic republics and there are worker activists in Pamyat [Memory]. If one so desired, one could find some common interest for them all. But so what? For the representatives of each of these groups, this commonality most often would mean much less than whatever comprises the core of their group interest or idea.

In other words, for the worker writing poetry, events on the literary front, as a rule, will be much more important than the "chronicle of class struggles," and for the worker who supports the unification of Karabakh with Armenia, the idea of "mtsium" rates a hundred times higher than the issue of pay hikes. And this is neither bad nor good. It's normal. Interest cannot be forced, after all; it forms naturally.

All this is so. But now we can already talk about the workers' movement that actually exists in our country and that does not coincide wholly with the working class. The class includes the political spectrum characteristic for society as a whole. But only a specific portion of this class is trying to formulate its special political interests and wage a struggle for them. Within the limits of the workers movement the spectrum of political views, naturally, is nevertheless narrower than within the limits of the entire society. Let us try to follow this "narrowed" spectrum "from left to right," guided in this instance by the traditional terminology accepted in European politics.

So, in the extreme left among us are groups oriented toward Marxism and the maximum collectivization of the means of production. This is first of all the Marxist Workers Party-Party of the Dictatorship of the Proletariat (MRP-PDP), which looks on the working class primarily as the sole collective owner of all means of production (directors and administrators are hired) and contrives somehow to unite the demands for democratic freedoms with a justification for the necessity of a new dictatorship, which is understood, naturally, very nontraditionally. A small group split off from MRP-PDP in March 1990 (at the constituent congress); it calls itself the Democratic Workers Party (Marxist)—DRP(M) and also professes the idea of collective ownership but does not insist on a dictatorship. Both parties take active part in interregional meetings of miner (and nonminer) strike committees and attempt to perform agitational work in factory collectives. In doing so, the members of the Marxist microparties, by associating with their opponents, are so far maintaining the proper degree of patience and good will.

Objectively, the ideologists of the United Fronts of Working People (OFT), about whose views much has already been written, come very close in their theoretical elaborations to the ideals of supporters of dictatorship of the proletariat: the same stress on the class approach to the formation of organs of power, the same sharp distaste for private business. Still, neither the MRD-PDP nor the DRP(M) much favors the OFT, insofar as the majority of worker activists see in it a purely apparatus organization created with the aid of ideologues who have done quite a lot in their time to hasten the rooting out not only of bourgeois ideology but also of all types of "unofficial" Marxism. Actually, structurally the OFT is not now a part of the ongoing grass-roots movement.

One might note that the property issue remains an easy touchstone for limiting the color range of the political spectrum. Taking this approach into account, the position of the majority of strike committee activists of the Kuzbass, Donetsk, Vorkuta, and several other towns and regions is "less leftist," i.e., more tolerant of diverse property forms than the forces cited. Basically, the leaders of the major workers' organizations (like the Council of Workers' Committees of Kuzbass or the Donetsk City Strike Workers' Committee) have shown themselves to be pragmatists capable of open analysis of the political situation free from ideological blinders. Characteristic for those organizations is the desire to radicalize democratic reforms. The concept of "democratization" frequently includes a meaning related somehow to the problems of the given region. Sometimes (although very rarely) the influence of Christian solidarity is perceptible.

Still, what is most important is that all the appraisals cited above refer to an extremely thin stratum of activists capable somehow of rationalizing their insights. Distance is still maintained between them and the very slow to be politicized working mass.

Probably this distance is least of all in the Baltics, where the leaders of the Unions of Workers of Lithuania and Latvia can openly proclaim their adherence to the idea of private entrepreneurship and their specific orientation toward the experience of Western trade unionism and in so doing have met with the fully intelligent understanding of the members of their unions. But worker self-management in the enterprises of Riga, Vilnius, or Kaunas, thanks to the efforts of those leaders, is much closer to realization than across Russia as a whole. Lithuanian and Latvian worker activists are seriously disturbed by the fact that the most active present and past party leadership could, utilizing its connections and

the lack of development in the sphere of private entrepreneurship, grab the management positions in industry.

One more important point. There still exists a certain elusive feeling of worker solidarity, reflecting mostly the specifics of the anti-nomenklatura protest movement, coming from the lowest, "factory" stage of society. It is this that has made it possible for worker Marxists and worker non-Marxists who arrived in late April 1990 in Novokuznetsk for a congress of independent workers' movements and organizations to find a common language and even a certain organizational unity. The organization created at the congress—the Confederation of Labor—unites all politicized strike committees and is, of course, the result of a certain moral, supraparty consensus. Will this "workers' consensus," which relies chiefly on certain intuitive feelings, be stable? We shall see. It seems, however, that in our unstable times, any tendency to intergroup, interclass, or interethnic solidarity deserves approval.

Where Next?

Still, what type of organization does the workers' movement require today? The choice most discussed within the framework of the workers' movement is phrased like this: a party or a trade union? On the level of "amateur politicized activity," i.e., on the scale of a few hundred participants, both workers' parties and independent trade unions are formed. However, as for the latter, then formations have appeared among them of late (Union of Workers of Latvia, Association of Socialist Trade Unions [SOFPROF]) numbering, according to their notices, several thousand members. The majority of such professional associations (in Leningrad there are two of them, Spravedlivost [Justice] and Nezavisimost [Independence], in Sverdlovsk there is the Yedinstvo [Unity] Organizational Committee for the Constituent Conference of Independent Trade Unions) are still in an embryonic state.

Here a few words should be said with respect to the evolution of official trade unions. In their current form they do not, and cannot, generate interesting initiatives or guarantee the satisfaction of workers' demands. In the first place because, in passing through the meat grinder of their centralized branch structures, any initiative will either take on unrecognizable form or dissolve amid innumerable other functions (like reports on socialist competition and the distribution of sewing machines). Even if all these functions undergo fundamental changes, there is still "in the second place." "In the second place" are the apparatus personnel, those who today occupy middle and upper stories on the massive, unassailable pyramid called the Soviet trade unions.

Naturally, within the bowels of this pyramid right now something is squeaking as it turns. Voices can be heard from there about new methods of work, about perestroyka and glasnost. However, it is hard to imagine as valorous fighters for the revival of trade unions those who only yesterday were ordering the rout of "self-styled worker leaders" and branding the strikes as a phenomenon alien to Soviet society. The essence of the matter is that in the AUCCTU [All-Union Central Council of Trade Unions] system there are many professional organizers, experienced administrators, and energetic managers to whom the idea of a workers' movement is about as close as the idea of preserving greenbelts is to the lumber ministry.

Of course, nothing is at all simple with the new trade unions either. Their creators are bitterly criticizing the supporters of "workers' parties." Mutual recriminations rain down oblivious to workers' fundamental interests. The following can be said on the subject of these disagreements.

A truly workers' organization that wants to preserve its social base outside direct dependence on political stratification could be hoped to keep the task of the social defense of its members uppermost. Political demands must take a back seat. There is no need to rush in with accusations of antidemocratism and trade unionism! The point is that only those workers' organizations which are today responding primarily to the population's real socioeconomic needs can become mass organizations, and that means including people of various convictions. Mass organizations with reliable support in the factory sphere are the only worthy opponent for that gigantic system of bureaucratic monopolies that still exists. Filling this main condition of the capability of "new" workers' formations will, by the way, facilitate their democratization as well. Given the present state of mass consciousness, the value of political freedom is fine for it only (or mainly) in symbiosis with the value of social defense.

So what, then, is the new trade union? Probably this question should not get an unambiguous answer. In the current situation of a new organization—let's call it conditionally the Union of Workers—obviously, the main attention should go to trade union defense activities, but there is no need to accept trade union status absolutely definitely. If only because the status of present-day trade unions is utterly outdated. They are hung round with innumerable non-trade-union functions, and if a new organization tries to replace fully, say, an oblast trade union council, then it will have to take on all those functions, all those innumerable partitions, passes to rest homes and social insurance. And so on until the state takes over the greater part of all this (in Lithuania with the help of the Ministry of Health, this issue was resolved and an end was put accordingly to the old trade unions). The worker should not be faced with the following hard choice: the old pseudo-trade union is reactionary but connected with the whole heap of official social goods; the new trade union is energetic and sympathetic, but does not provide the indicated goods; moreover, both of them require substantial dues.

Two parallel processes are going on right now actually: on the level of the Union of Workers, program goals are being deideologized and are approximating the needs of

the widest possible strata of the population; in the depths of these unions the processes of intramovement political structuring is going on. And the main thing right now for the leaders of the new workers' organizations is to ensure the possibility of harmoniously combining the given processes, which seem fully compatible. Thus, the creation of a new socialist party with the participation, say, of the Prokopyevskiy Workers' Committee, should not hinder the activity of the whole Union of Working People of Kuzbass, which, in turn, should not impede the revival of the multiparty system. Unions of workers, judging from everything, are not going to replace parties, and parties will not be able to resolve problems of a supraparty nature. The creation of a new economy with a powerful integrated workers' movement that excludes the possibility of monopolism, including in politics, a trade union movement, and an ideological sphere—this is the supraparty task.

How is one to evaluate the role of the workers' movement in the broader context? For example, in the context of the sharp exacerbation of sociopolitical contradictions, the polarization of social forces, and the economic crisis? Responding to this question, one has to proceed from one of two alternatives: either overcome destructive egoistic impulses inside the movement, or forces drawn to civic consensus take the upper hand. For now the second alternative is objectively more likely than the first, although its realization will require even greater efforts. Consensus of multipolar political groups with respect to a certain minimum of "elementary" values is the very first political condition for society's escape from the crisis. These values could include, for instance, the principle of coexistence and equality among multipolar political tendencies, the idea of excluding violence from political life (assuming the unequivocal condemnation of any attempts to seize power violently both in the past and in the future), the value of a religious principle in the moral development of society (coexistent with other moral teachings), and so on. These kinds of values—a moral-political maxim—can be very few, but the value foundation of society that they comprise has to be firmer than granite. In the prerevolutionary and postrevolutionary periods this foundation in our country was destroyed in many ways thanks to the harsh "anticonsensual" purpose of a broad stratum of industrial workers attached to the idea of uncompromising class struggle. Today, the organized workers' movement has a chance of becoming one of the "cementing" forces capable at least of slowing and perhaps of halting the disintegrative processes burgeoning right now in society. There are several grounds for thinking this. In the first place, for several reasons (not examined here) the structurally formulated movement of workers enjoys authority among political forces that define for the present day one "pole" of the political spectrum. Secondly, the social base of the movement capriciously combines polar types of mentalities, including both conservative and radically inclined groups, which on the whole predetermines the "synthesizing" or "moderating" form of thinking and conduct of the majority of leaders of the major workers' organizations. Thirdly, of all the movements that are coming out in favor of radical economic reform, the workers' movement remains the chief force capable of alleviating the negative effect of this reform on socially vulnerable groups of the population.[3] Consideration of this circumstance forces to a certain extent both the social conservatives from OFT as well as the radical democrats to adapt their programs accordingly, supporting through representatives of workers' organizations a permanent dialogue with needy, marginal strata.

All the enumerated aspects of the social role of the workers' movement in the USSR retain their significance only as long as this movement is structurally distinct from all other public formations. Under present conditions, this distinction (or independence) of workers' organizations is by no means a form of workers' resistance to all the rest of society. It is merely one of the forms of natural self-organization of the socium to which we are now returning. Obviously many workers' unions are temporary phenomena related to the transition to a normal party system and normal trade unions. However, this transition could drag on, and in that situation nonparty workers' unions, cramped under one roof with representatives of various politicized groups, could become an important element in the newly forming system of political balance.

One step in the direction of this balance could be a "roundtable" of the most important political forces, organized on the basis of the corresponding experience of Eastern Europe. Without replacing the Supreme Soviet, a "roundtable" could make it possible to compensate for a while for the incompleteness of our parliamentarism, to bring closer and hasten the attainment of a consensus. Clearly, the workers' movement could become one of the independent and full-fledged subjects of this kind of political action. It might well become a reliable ally of democratic forces during the "roundtable." However, an important condition of this is an attentive and interested attitude of the latter toward the problem of the "social amortizers" of economic reform.

Footnotes

1. In and of itself the term "workers" was for a long time one of the chief objects of social mythologizing. In this article it is used conditionally to signify above all those persons employed in the sphere of material production without any supervisory administrative duties. It takes into consideration the fact that the social makeup of participants in the workers' movement can be highly diverse. Not infrequently representatives of the lower stratum of line leaders (foremen, mine bosses, district bosses, and so on) become activists.

2. PRAVDA, 27 April 1989

3. The concept of an "organized workers' movement" should, in this case, be distinguished from the concept of

the "working class" and "industrial workers." The latter includes several groups with no interest whatsoever in reforms.

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Ukrainian Economist Details Functions, Fate of Co-ops

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[Article by G.A. Oganyan, doctor of economic sciences, Kiev: "'Help, Police, a Cooperative!' or 'Bravo, Cooperative!'?"]

[Text] The USSR Law on the Cooperative, with which our society bound up quite considerable expectations, has been in effect for more than two years now. The country's economy is writhing in the grip of a brutal crisis, many foodstuffs and nonfood commodities are scarce. It might be said that the mines laid in the years of the stagnation are exploding now.

But the attitude in society toward cooperatives is ambiguous. The immense hopes which we placed on them, the euphoria in 1987 and 1988, have recently been replaced by disappointment. What caused that? In answering these questions it is important that we recall the established stereotypes of our life, the hatred of the private operator, the many years of fighting high income, hoarding, and so on.

We recall from our school days Gorky's Chelkash with his torn pants, complete freedom of action, and indifference to getting rich. Just so long as there was enough for vodka. And beside him Gavrila, with his desire to earn money, to buy a horse and cow, to operate a farm. For long years, we tried to persuade our children of the moral superiority of Chelkash over Gavrila. And now we suddenly realize that the Chelkashes of this world have never fed anyone.... After all, we cannot forget the fight against that atrophied morality that preferred empty idleness (be it a formal production meeting or a gathering in a barroom) to "ideologically harmful" moonlighting. Even now, after all, when the cooperatives have been legalized, they are still looked on unfavorably.

"Help, police, socialism is going to die, they are promoting the private operator!" we hear on all sides.

It is pointless, I think, to look into someone else's pocket, to spend time making calculations of someone else's wages, to be afraid that some people will be well provided for. There is still no rich country on earth that does not have prosperous people. It is not high income that we must fight, but unlawful income. And the main source of it is often not the cooperative sector, but, unfortunately, the state sector, in which billions of rubles are paid out for idleness, for work not done, for substandard products, for departures from various standards governing consumption of physical resources. Attention accordingly deserves to be paid to a detail like this. Among scientists, whose opinions typically differ widely, there is complete unanimity about the importance of developing cooperatives. Not a single well-known economist has come out against them.

The classics of Marxism-Leninism supported the idea of developing the cooperative. K. Marx, for instance, noted in his discussion of the question of leasing relations during the transition to socialism that it is necessary "to operate them on cooperative principles preparing in this way for the gradual transition of production as a whole to a cooperative basis." V.I. Lenin wrote in his article entitled "On the Cooperative": "...The cooperative has a number of economic, financial, and banking privileges; this must constitute the support of our socialist state or the new principle of organizing the population."

In spite of the objections of certain distinguished figures in the party and state (for example, V.Ya. Chubar, A.D. Tsyurupa, and others), who felt that the cooperative might become a focus for forces hostile to the party, a "nest of Socialist Revolutionary sentiment," and the like, V.I. Lenin resolutely defended the need to develop the cooperative in every way, seeing it as the best form for organizing trade relations between industry and agriculture, the best apparatus for distribution, and quite a few other constructive features, especially in connection with the transition to the NEP [New Economic Policy] (see *Poln. sobr. soch.* (Collected Works), Vol 45, pp 3, 6, and 370). He also pointed out that "the cooperative represents a very formidable cultural legacy, which needs to be appreciated and put to use" (*Poln. sobr. soch.*, Vol 37, p 202).

In prerevolutionary Russia, the cooperative experienced extensive development. The sailors in Peter I's navy—sailors and officers from Arkhangelsk led by Captain Lieutenant Baranov, who set up a trade and purchasing cooperative, were the first Russian cooperators. But the cooperative experienced its greatest spread in rural areas. It spread through agricultural production operations, processing, and the marketing of the end product of the peasant's labor. For example, it accounted for 60 percent of the flax sold on the European market. The Russian cooperative was also a major supplier of butter, hemp, mutton, and many other foodstuffs.

A number of associations and alliances of cooperatives, headed by the All-Russian Alliance of Cooperators, existed in the country. There were rather distinguished people in it, Prof. A. Chayanov, for example.

Nikolay Vereshchagin, older brother of the famous artist Vasiliy Vereshchagin, with the very vigorous help of D.I. Mendeleyev, established Russia's first dairy school in the village Yedimonovo in Tver Guberniya. The training of a pleiade of specialists gave a powerful thrust to development of an entire branch of domestic production, whose foundation was the Russian dairy cooperative.

The prolific Vereshchagin also developed in our country cheesemaking in the Caucasus and the making of butter in Siberia.

I will cite another historical fact. When in early 1910 the bureau of the Kiev Alliance of Consumer Societies asked L.N. Tolstoy to express his opinion on the cooperative movement, the writer answered that he sincerely sympathized with this wonderful cause and promised to express himself in print when the opportunity arose.

After Soviet rule was established, the cooperative movement spread widely in the country. In 1924, the total number of cooperatives was 2,700, and they had 123,000 members. In 1925, there were already 5,000 cooperatives with 244,000 members. In the 1928-1929 period, the sales of industrial cooperatives of the USSR exceeded 4.5 billion rubles [R]. The OSOZ (societies for joint cultivation of the land) became one of the forms of cooperation in rural areas. In the latter half of the twenties, they embraced almost 40 percent of the peasant farms in the Ukraine.

The efforts of graduates from the Vereshchagin school put the peasant dairy cooperative on its feet, and it began to spread through Russian villages and hamlets. It is a shame that Nikolay Vereshchagin did not live to see the triumph of his dream—the All-Russian Dairy Cooperative Alliance, which his numerous students established in 1924. The "Maslotsentr" was created within the framework of the alliance; L.B. Krasin was elected its first chairman (and F.E. Dzerzhinskiy was chairman of the joint stock company "Transport"). In May 1926, the "butter center" was awarded a gold medal at the international dairy congress in Paris for the high quality of the exported butter.

But the cooperatives did not flourish for long. The economic mechanism had undergone striking transformation even by 1930. Collectivization, which resulted in immense losses and casualties, had begun in rural areas. Three years later, the measures "worked out" in 1930 in rural areas came crashing down on the industrial cooperative as well. On 26 April 1933, the Law on Prices for Products of the Industrial Cooperative prohibited raising the level of prices that existed in mid-1932. At the same time, state enterprises abruptly hiked up their prices of the raw materials they sold to cooperatives. In a number of cases, the increase amounted to 500 or even 1,000 percent, frequently rejects and production waste were sold to the cooperatives at a price higher than the regular price of sound products. By that time, the cooperatives no longer had an opportunity to choose their supplier; the retail trade and semiwholesale trade in supplies was cut back. Destruction of the industrial cooperative was irreversible. It was transformed from a highly developed economic entity into a second-rate entity barely getting along, into a feeble appendage, into a source of investments that were not paid for. The very name "cooperative" became a pure formality and was abolished by the decree of the CPSU Central Committee and USSR Council of Ministers dated 14 April 1956 and entitled "On the Reorganization of the Craft and Trade Cooperative." It rightly noted that many enterprises in the industrial cooperative system had essentially ceased to differ from enterprises of state industry, moreover those which were most backward and weakest.

In the mid-eighties, the level of recorded private and cooperative activity was practically nil, in the entire country only 84,000 people were engaged in the crafts and trades, although unofficially, without any license whatsoever, there were always about two million people working in this field, and 17 or 18 million did it on the side. The volume of services they rendered amounted to R14-16 billion. In cities alone, the share of unofficial services was 45 percent of apartment repairs, 40 percent of private automobile repairs, and 30 percent of household appliance repairs. The volume of services unofficially rendered to the pubic was equal to one-third of the paid services to the public in socially organized forms.

When the Law on the Cooperative in the USSR took effect, tens of thousands of cooperatives began to be registered. In mid-1990, the total number of workers employed in them amounted to 4.9 million. In the past year, cooperatives have produced products and rendered services worth R40 billion, including 7 billion for the public. Incidentally, their share in the total volume of retail commodity sales and paid services amounts to only 1.5 percent. However, in the assessment of the Scientific Research Economics Institute of USSR Gosplan, cooperators must provide at least 25-30 percent of the total volume of goods and services to ensure normal development of our society up to the year 2005. Only these figures, which we hope to attain in another 15 years, can be compared to what has been achieved abroad. We will cite only one country for comparison—Sweden. Consumer cooperation in Sweden involves two million people; the housing cooperative furnishes 30 percent of the housing open to occupancy every year, and half of the Swedes are insured by the cooperative society "Folksam." In all, the cooperative movement involves two out of every three families in Sweden. Cooperatives produce 99 percent of the milk and 80 percent of the meat.

Nevertheless, what are the advantages of the cooperative method?

The cooperative is a set of human relations which generates independent work. It should become not simply a support, but one of the main instruments for overcoming the neglected state of our service sector. The absence of paperwork, the direct relation with the customer, with no intermediate levels, competition that is useful for our monopolized economy, affording the consumer an opportunity to choose—those are some of the indisputable virtues of the work of cooperators.

The functions of the cooperative are highly diverse and irreplaceable in many areas of the life of society.

First, cooperatives are by their nature more responsive to the current state of the market and adapt more

effectively to its conditions. The economy always has a great need for lines of activity in which flexible maneuvering and constant adjustment to the rapidly changing demand of the consumer are objectively necessary.

Second, historical experience and present-day practice demonstrate the extremely high viability of the cooperative in agriculture. The rise of the cooperative movement which has been outlined will undoubtedly breathe new strength into the accelerated development of the agricultural sector of the economy and give a powerful thrust toward solving the acute social problems in present-day rural life.

Third, cooperative enterprises and organizations have indisputable advantages in the areas of everyday services and other forms of service to the public. There is no equal of the cooperative in areas where the individual approach to the consumer of services is more important than anything.

Fourth, it is difficult to overestimate the role of the cooperative in the trade sector. The relatively small size of trade cooperatives makes it possible for them to speed up the process of moving goods from the producer to the consumer, to preserve the product's qualities better, and to satisfy customers' demands more fully.

The Law on the Cooperative provided that barriers would be set up to illegality. The provision it contains on formation of cooperatives has fundamental importance. Now, this requires no specific permission from soviet, economic, or other authorities. They are organized at the wish of citizens exclusively on a voluntary principle. Any cooperative which has its draft bylaws, prepared on the basis of the Law on the Cooperative, has the right to be registered without hindrance with the ispolkom of the local soviet of people's deputies. The bureaucratic roots in the business of creation of cooperatives are thereby eliminated.

All forms of labor—private, cooperative, and public—must be placed under identical conditions—both in the supply of raw materials, supplies and equipment, and also in the setting of prices. Then the differing level of remuneration of labor in state and cooperative enterprises will provide effective evidence of its different efficiency. Only then will administrative-command methods of regulating production be replaced by economic methods. As for the higher remuneration of labor in cooperatives, it gives the worker self-respect and self-affirmation, while a low wage is oppressive. It might be said that the cooperatives represent the road to a higher standard of living. The law provided that the cooperative must have at least three members, that cooperatives must by and large be created from among citizens not employed in social production by drawing upon additional local foodstuffs and physical resources. Pensioners and other citizens not employed in social production, and also university students (after the third year) and schoolchildren from the age of 14 are permitted to participate in cooperatives.

The reasons why people join cooperatives vary. The All-Union Center for Study of Public Opinion on Social and Economic Issues of the AUCCTU and USSR Goskomtrud has attempted to discover them by surveying several hundred cooperators. Here are the responses they gave to the question: "What motivated you to leave a job you were used to and to move to entrepreneurial activity?"

Approximately half of the respondents were attracted by the opportunity to improve their material situation. The choice of the others was influenced by the desire to work in a collective of people of like mind (22 percent) and a more convenient work schedule (15 percent). Finally, some simply decided to test themselves (10 percent). And still the dominant motive was different—nine-tenths of those responding (many gave several reasons, which is why the total exceeds 100 percent) remarked: they were brought to the cooperative by a "desire to make fuller use of their potential, to get room for initiative and independence."

To what extent have the hopes of those who began to engage in cooperative activity been justified? The questionnaires show that most were not deceived in their expectations. Especially with respect to using individual abilities, where the result of the survey was close to absolute—98 percent. So that there is a basis for concluding that the mechanism created for the "new" cooperative on the whole suits the people employed in it. The attitude of the public to this issue varies in the same way. Surveys of young people have shown that development of the cooperative sector as one of the ways of solving the country's socioeconomic problems is supported by 58 percent of the respondents (especially in the area of social and everyday services to the public), while 28 percent are against. Opponents of cooperatives explain their position above all in terms of the prices of goods and services supplied by cooperators being excessively high for young people and also that self-employment "encourages the interests of private owners."

Most frequently it is elderly people who oppose the cooperatives. This is no accident because an absolute majority of cooperators (88 percent) are able-bodied young or middle-aged people. Another trend is evident: The share of those who want to work in a cooperative rises with an increase in family income. For instance, in the group where income amounts to less than R75, the number who want to do this is 3.7 percent, in the R151-175 group it is 4.4 percent, while above R250 it is 8 percent.

The range of activity of cooperatives is quite extensive. There are cooperatives to care for the sick, disabled persons, children, and people who live alone, library cooperatives, cooperatives for study of a foreign language, cooperatives for exchange of apartments, for patents and licensing, for repair of television sets, radios, and shoes, for garden and housing construction, for

photographic services, circus and theater cooperatives, trade and procurement cooperatives, publishing cooperatives, and so on.

Quite a few intellectuals in the humanities—journalists, philologists, scientists—work in cooperatives. Cooperatives rendering intellectual services offer their clients editing and presentation of scientific and other texts—reports, articles, business documents, official letters—and they help war veterans and labor veterans, they help beginning authors to prepare their manuscripts for presentation to publishers and to editors of periodicals. Cooperative banks are also being set up, including cooperative sovkhoz banks. But still it is the production cooperatives that travel the most complicated road in being created.

Now every industrial enterprise, like the hero of the bylina has four roads ahead of it: the first model of cost accounting (khozraschet), the second model, leasing and the cooperative. It cannot be said that the first two models necessarily lead into a blind alley, but they do not lead out onto the broad highway because they take the leading strings of the ministries for granted.

Enterprises are given a certain independence by the transition to leasing because it unleashes their initiative. But leasing has its own difficulties.

The Nikolayev Structural Fabrications Combine in Lvov Oblast, which made the transition to leasing, was transformed from an enterprise operating at a loss to one with profit running into the millions. But they did not remove the fetters of administrative management from the combine. Just as before, the republic association "Selkhozindustriya" establishes the number of workers and the average wage for the people of Lvov, it takes 30 percent of the profit, it drains off almost all the depreciation and almost half of the deductions intended for major repairs. Again, the worthless principle that prevails is "a ring for every sister," that is, the idlers are supported at the expense of the good performers.

The Kiev cooperative "Plazmotron" leased a pilot plant. It produces medical equipment so necessary for public health stations and medicine chests for ambulances. But it is difficult, innovations are torn to ribbons in passing through the bureaucratic hurdles. Economic discrimination against lessees, regardless of whether they make shish kebab or diagnostic equipment, has practically become the style of the day. How many times suppliers failed to meet deadlines in manufacturing equipment for "Plazmotron," explaining that the enterprise did not have the same standing as state enterprises.

Economists predict: leasing will lengthen the life of the ministries to such an extent that a middle-aged bureaucrat can wait in peace for his pension.

Enterprises obtain real economic independence only when they become cooperatives. Here is an example. In 1989, the cooperative "Instrument" was created with the facilities of the Kharkov Tool Plant. A. Goloborodko, elected director just in advance of this, proposed that they opt for the cooperative. His main argument sounded enticing: the deductions that would be taken would be less than half of what was earned. All the rest would be ours. To be sure, he added, if "ours" was to be appreciably greater than earlier, the volume of production had to be increased by one-fourth, and that amounted to an increase of nearly R5 million. With the same facilities, with the same supply problems, and with the same equipment that in many cases was out-of-date. That is why they failed to recruit even the 300 people who had wanted to join the cooperative—less than one-fourth of the collective. About 100, frightened by uncharted waters, resigned altogether. The rest continued to work under employment agreements.

They were not even tempted by the fact that under the bylaws cooperative members, in addition to wages, were entitled to a reward of 40 percent of the quarterly wage from cost-accounting (khozraschetnyye) income, while those under "employment contract" were entitled to only 10 percent.

...After the first quarterly payment was made, another 600 people joined the cooperative. And now only 100 of the workers are not members of it.

Or other examples. A state-cooperative association was formed from the association "Kharkovtraktorozapchast"; it included the plant, the special mechanical and process engineering bureau, and four production cooperatives. To be sure, the people in Kharkov are not as yet in a hurry to leave the aegis of their ministry. Because there is still no wholesale trade in machines and equipment in the country, they are afraid that they would simply be left without scarce raw materials and supplies. When the cooperative "Ros" of the Chernigov Garment Association came into being, the possibility arose of obtaining a supply of scarce accessories. The beautiful and elegant products of the cooperative, which met present-day requirements, helped to increase the output of improved quality clothing to 60 percent of the total volume of production. The Kiev cooperative "Mikron" manufactures high-precision molds and other gear which plants as a rule purchase abroad. They had the idea of creating a network of cooperative module tool shops. "Mikron" leases several dozen one-of-a-kind machine tools, mainly imported. It uses them on a second and third shift. The brightest heads and most golden hands of their own enterprise have been attracted to collaboration. They produce hard-alloy dies and jigs, tools, and fixtures. They are just as good, and frequently even better, than those that were previously purchased for foreign currency.

The brick plant for agricultural construction in Shepetovka has been out of operation for four years; its owners convinced the party gorkom that it was unprofitable, the quality of the product did not meet requirements, in short—no one needed it. And they sold the enterprise...to the cooperative "Temp." They sold it in a horrible state, the equipment had been pilfered, and it

was utterly lifeless. At the last, before the shutdown, the plant had produced only 80,000 bricks per month. The energy and knowledge of the cooperators revived production: In two months of operation, they already produce more than one million bricks. A practical solution was found for the question of leasing the Savichi Wall Materials Plant to "Temp." These two enterprises will be able to provide the city and surrounding countryside about 16 million bricks per year. Thus, before our very eyes the cooperative has been transformed into the principal and sole supplier of local building materials for Shepetovka. But even that is not all. A millwork shop has been put in operation; and the cooperators are seeking funds to build a plant to make reinforced-concrete products.

Only a hastily erected fence divides two construction projects from one another in Nizhniy Val Street in Kiev. Two residential buildings are being erected side by side. One—for the Administration of Internal Affairs [UVD] of the Kiev Gorispolkom—is being built by the UVD's construction administration, while the other—for the Pilot Experimental Plant of Manufacturing Equipment imeni Kalinin—is being built by the cooperative association "Podryad." At first glance, people on both sides of the fence are working at the same pace, perhaps with the difference that the cooperators arrive at 0800 hours and often work until dark, whereas activity on the neighboring construction site dies out even before 1700 hours. Everyone is driven by economic interest. Decisions are made by the collective. And it takes responsibility for them. It is this that attracts people. And then, of course, the earnings as well. Here, they average R700-750 a month.

Where does that "easy" money come from? is how critics speak of the income of the cooperators. There are no particular secrets here. The estimated cost of the projects built by this cooperative association and also settlement for work done are determined according to the rates and unit prices established for state construction. They have managed to achieve high income for the workers of the association thanks to a substantial rise in the productivity and intensity of labor. This has made it possible for the cooperative to do R2.5 million worth of construction and installation work a month with only 1,300 people.

"Podryad" has full economic independence. The cooperators are particularly careful in choosing their management. For example, in "Podryad," one man has taken on all the bookkeeping work, whereas ordinary main administrations have an entire subdivision for this purpose. All the members of the association have high qualifications and have mastered many construction specialties. Depending on the readiness of the project, then, people are used on different operations. The amount of remuneration depends on the end result. Here is a detail that needs to be taken into account. "Podryad" is independent in other ways than in its activity. It also has to count exclusively on itself in dealing with its failures. It turns out that the cooperative has no special privileges whatsoever. And if people earn several times more here, it is nevertheless because they have earned it. That is why more than 600 people have recently left Glavkiyevgorstroy in search of a better life. And there is a long line of people who want to be hired by "Podryad." It has about 10 applicants for every job vacancy.

The potential of family cooperative farms in agriculture, which is virtually untapped at present, is immense. Under the family contract, three or four people attend a livestock-raising operation which previously required 20-30 workers. But peasant ways have been lost to such an extent that it will take more than one decade to change the psychology of people working on the land. At present, there are more than 700,000 empty dwellings in the rural areas of the country. Large-scale organization of work in agriculture, based on intense division of labor operation-by-operation among workers, has proved inefficient, has broken the tie between man and the land, and has alienated him from the means of production. The outstanding agricultural economist A.V. Chayanov considered small-team cooperative labor, especially in the family, to be the best form of the organization of work in agriculture. Here is a statement on this point by I. Parkhomenko, Hero of Socialist Labor and chairman of the kolkhoz "Rassvet" in Dnepropetrovsk Oblast: "The family livestock operation is free of the most important troubles of the kolkhoz livestock operation. In this case, no one steals, nothing is wasted, and there is no need for urging from outside."

The cooperative livestock farm "Fauna" in Chernigov Oblast has achieved wonderful results in raising young pigs for fattening. Its experience indicates that the Ukraine is able to copy the example of Denmark, where they raise 10 million hogs for the country's five million inhabitants—"two carcasses per capita."

The cooperative principle best corresponds to the service sector, and above all trade and the food service industry. The first cooperative in the food service industry, "Appetit," opened in Kiev in early 1987, but now there are dozens.

The cooperative cafe "Debyut" is making its reputation on the high quality of its product and its fast service. There are no tables, only a few bar stools, and this is in line with the menu, which has 10 culinary and confectionery items, mainly snack food. Mainly pancakes filled with meat and apricots, salads, ice cream.... If you order, say, one portion of bouillon, a hot open "riddle" sandwich to go with it, a sugar-coated pastry, and tea with mint and honey, it will cost R1.76. The markup over the production cost of the raw materials that go into preparing the dishes is within the limits of 60 percent, which is in line with the new regulation on prices in cooperatives. The cafe "Kharchevnya," located in Kiev's largest housing development Obolon, has had a wonderful response. Its cooking is excellent—all the dishes are prepared from fresh produce, but the main thing is the cultural program. Every evening, "Kharchevnya" has performances by professional dancers, and old melodies resound. Across the road is the state cafe "Dunay,"

where the prices are lower, but it is dull, empty, and unpleasant. Cooperative cafes are opening in schools, especially in Odessa. Stores are making the transition to the cooperative form of trade. In Moscow, an auction was held to put state stores out on family contract. On the first day, 48 of the needy stores offered, bread stores, other food stores, and nonfood stores, were purchased. We are convinced that all stores without exception will become either cooperatives or private.

Unless the service sector, trade, and the food service industry is denationalized, the transition cannot be accomplished to a market economy.

And now about another type of cooperative—the brokerage or commercial intermediary. The adverse attitude toward it is well-known. I think that this opinion is profoundly mistaken, and the same goes for the decision prohibiting their activity. In many cities of the country, including the Ukraine, agencies of the cooperative "14 t" have opened; they find apartments of local inhabitants for newcomers. This is only one example of effective useful activity of cooperative brokerages.

And here is another example which A. Labyak, chairman of the agricultural combine "Kamenka" in Zaporozhye Oblast, has related: "The yield in the melon patch turned out to be excellent. There was an abundance in market gardens. And now many farm managers are worried about what will happen to the harvest they have grown. Thank you, although few in number, the cooperators are coming to the rescue. They act vigorously and promptly. In a single day, the cooperative "Grona" purchased 7 tons of watermelons from the sovkhoz "Ivanovka" (at 20 kopecks/kg) and paid in cash."

There are also cooperatives that act as intermediaries in application of progressive forms of economic activity. Nowhere abroad does the farmer himself become involved in marketing his product—there are firms that act as middlemen for this. Incidentally, kolkhozes turning land over to lessees are also intermediaries in trade—without doing anything, they are earning money from the difference between the price of the product paid to the lessee and that which is received from the state.

Medical cooperatives, which are not prohibited like mercantile cooperatives, have become rather widespread in the Ukraine. Back in 1987, the country's first cooperative for prevention and restorative therapy of the skeletomuscular apparatus was opened at the Kharkov Plant imeni Malyshev. Among others, we might mention the Kiev cooperatives "Proktolog," "Osteokhondroz," "Diagnostika," "Ortoped," "Stomatolog," "Medgorodok," the cooperative center for recuperation in Nikolayev, cooperative centers for medical narcology, and others. Although it is prohibited to treat only venereal diseases, experience shows that the cooperatives are working mainly in the field of restorative medicine, cosmetology, and dentistry. There are very few cooperatives for consultations. One obvious reason for this is that people prefer to go to an ordinary polyclinic for therapy. A study of the personnel in cooperatives of this category supported the conclusion that most people working in them are physicians (about 59 percent), whereas in cost-accounting medical institutions, which also render paid services to the public, physicians represent only 21 percent of personnel.

The medical cooperatives also have their opponents. For instance, N.M. Amosov, member of the UkSSR Academy of Sciences, is very much against them. I submit that these objections are unfounded because gratis medical service has been, is, and will be the foundation of our health care. All fears on this account are groundless.

The tax policy of the state has extremely great importance to the activity of cooperatives. When cooperatives began to be created, a decree of the USSR Council of Ministers guaranteed an income tax of 3 percent during the first year of operation, 5 percent for the second, and 10 percent for the third year. Those conditions were conducive to the development of cooperatives.

And suddenly the ukase of 1 April 1988 emerged from the bowels of bureaucratic offices and frightened everyone. And it is difficult to say what struck them more: the actual content of the ukase, which essentially applied the brakes to the cooperative movement and perestroyka, or the fact that it was prepared on the quiet, in the corridors. That ukase introduced a progressive tax going as high as 90 percent. This was essentially a throwback to the tax law in the time of Stalin, when it was used to squeeze the craft and consumer cooperative and the credit union.

Times, however, have changed, and the universal indignation of cooperators and scientists forced the bureaucracy to retreat. This kind of shying from side to side in which the principle of taxation changed three times in two years does not strengthen belief that the cooperatives are something serious and lasting. The tax scale must flexibly follow the growth curve of income; after all, when taxes are high, prices cannot be lowered.

Differentiated taxes are indispensable. High taxes should be collected from cooperators making noncash collections and producing products for production and technical purposes. As the transition is made to the manufacturing of consumer goods, the tax must necessarily be sharply reduced, just as in the case of goods sold at state prices. The situation is not right when the tax is collected not from the profit of cooperatives, as it is from state enterprises, but from income; that is, it is not taken from the part, but from the whole, even from investments in fixed capital and the environment.

The conditions under which cooperators have to operate cannot be called favorable.

The press is literally full of examples of persecution of cooperators. For example, in the Crimea automobile owners created a cooperative. But the city authorities, operating with the old methods, decided to bring that

cooperative under the jurisdiction of the taxi pool. And they immediately spoiled the business. And now the question is being raised of setting up an independent cooperative, it must be regulated by the local soviet, but not by the departmental organization of the subbranch. The same thing is observed in the sector of everyday services—here, the attempt was made to subordinate everything to the local components of Minbyt. When a cooperative was formed in Odessa to perform wedding ceremonies, personnel of the oblispolkom made every effort to eliminate this unwelcome competitor. Naturally! The state monopoly and complete absence of competition entitled them to completely control the pocketbooks of grooms, brides, and their parents regardless of the quality of the services they rendered. In the same place, in Odessa, the city financial department sequestered the account of the cooperative "Arkadiya"—an organizer of benefit concerts.

The cooperatives have powerful opponents, including the USSR Supreme Soviet and the AUCCTU. The adverse attitude toward cooperatives is inspired by people who understand that the cooperative is a serious competitor for the monopoly of state enterprises. Quite often enterprise managers organize the "indignation of the workers against the self-seeking cooperators." It is no accident that during the outrages in Novyy Uzen in Guryev Oblast it was mainly cooperative stores that were wrecked.

Cooperators are afraid of violence from racketeers; they do not believe in effective help from personnel of law enforcement agencies. The police in turn, hiding behind the fact that there have been no requests, do not take the necessary steps. The fight against the rackets has now been assigned to the authorities of the KGB. The costs of the rackets go into the sales costs and are included in the price. The share of the rackets in every ruble which an individual pays a cooperative is 10 kopecks. The court trial in Donetsk of the racketeering murderers headed by V. Konovalov...senior police lieutenant, was given broad "coverage" in the country.

The rackets of officialdom compete effectively with the criminal rackets. Everyone has to be paid off: from the enterprise manager if he is to agree to become your guarantor, all the way down to the little technologist to calculate the share of electric power in the rent. Chief physician Rudyak of the Glukhovskiy Rayon Hospital in Sumy Oblast was recently arrested. It turned out that as a member of the ispolkom of the city soviet, he was every month receiving R130 from the medical cooperative for "help." Then, threatening to shut it down, he demanded that the remuneration be increased to R300. Nor did he stop there: He saw to reduction of the tax rate and began to receive all of R480....

Last December, Spasov, chief of the operations administration of the Dnepropetrovsk Promstroybank, was caught red-handed taking a bribe in the amount of R60,000 from Kolesnikov, chairman of the cooperative "Flora." The bribe passed hands because credit in the amount of R1.5 million was granted....

The overwhelming majority of state enterprises do not withstand competition with cooperatives. The rapid growth of sales of cooperatives (from R6 to R33 billion, or 5.5-fold, during 1989) is occurring against the background of a drop in the volume of production in the state sector.

Both the principles and amount of remuneration differ between cooperatives and state enterprises. In the factory, they pay a seamstress 40 kopecks for sewing a skirt, and in the cooperative they pay R6 for exactly the same skirt. Cooperatives in Armenia collect as much as R15 for delivery of airline tickets. The state collects R1 for delivery of a ticket at home, i.e., the worker who makes the trip from home to home receives a few kopecks from that ruble. The level of remuneration of labor in cooperatives is at the same time evidence of improper remuneration in the state sector.

The drain of personnel has increased sharply at enterprises of light industry recently: in half a year, 50,000 people have left the industry, as many as in the two previous years taken together. The people leaving the state enterprises are enterprising, mobile, mainly young people. After all, in the cooperatives they pay according to your work, and there is also room for creativity and they do not set limits to cramp exploration. How will the state enterprise hold on to such people in the future? A deputy of the Chernigov Gorsovet, a woman who is a weaver in a worsted woolen combine, complained in a letter to the newspaper RADYANSKA UKRAINA (30 January 1988) that the overwhelming majority of cooperators are strong and healthy, and because in the combine there is a shortage of 400 workers in the principal production alone, let us force them to make the switch(!). Many discouraged practitioners in the economy are looking for the culprits anywhere they can—among private operators, lessees, and cooperators, only not among themselves.

We will conclude by discussing the adverse aspects of the activity of cooperators.

For many people, the words "cooperative" and "speculation" have become synonyms. There is a solid basis for that. The influx of dishonest people into the cooperatives cannot be denied; they are not all standing up to the test with enterprise, they are violating laws. For example, one foreign firm has reported that a Soviet cooperative offered it blood from donors for foreign exchange. The desire to earn more sometimes results in an appalling intensity of work, and people's health deteriorates. There have been violations where in a number of cooperatives hired workers represented 70-80 percent of the work force. In the Kiev cooperatives "Korchma" and "Kooperator," although the established markup was 30 percent, it went up to almost 300 percent. The fantastic profitability of some cooperatives is astounding, going as high as 1,500, 2,000, and even 5,000 percent. The total

amount of delinquent loans of cooperators is growing. There are cases in which swindlers obtain a loan from the bank amounting to tens of thousands of rubles and then disappear. Here are some examples. An inhabitant of Kiev Oblast was able to wangle R93,000 of loans from the Zaliznichnoye branch of Zhilsotsbank and turned out that way. A janitor of the housing administration of the UkSSR Academy of Sciences obtained a loan of thousands of rubles to translate foreign texts, although he did not know a single foreign language. Now he and 86 other such debtors have gone into hiding and are being sought after by the bank. The ispolkom of Kamenets-Podolskiy Rayon in Khmelnitskiy Oblast registered the "Freda 1" cooperative for raising fur-bearing animals. The promise of earnings in the thousands took quite a few people away from their jobs in the western oblasts of the republic, but in two months the chairman of the cooperative disappeared.

Time and time again, cooperators brazenly speculate before the very eyes of law enforcement agencies. The cooperative "Poltava" associated with a plastics factory obtained from its parent enterprise a lot of plastic bottles worth R8 each and sold them on the outside for R25. Members of the cooperative "Pripyat" associated with the Zarudchevsk Silicate Brick Plant in Volyn Oblast thought up a "cunning" operation: to buy heating radiator sections at R3 apiece in the trade network of the Lithuanian city Druskininkay and to sell them at twice that price. The operation was successful, the profit substantial. In the city Nikolayev, there is a cooperative with the optimistic name "Success." As a matter of fact, its performance is very good: The cooperators search southern ports for perfumery, which is scarce, and then sell it at speculative prices. Or they buy in the stores of the Baltic republics fashionable little jackets, suits, and other things which are in great demand and speculate on them. The sales of "Uspekh" amounted to R1 million for the year. In some cities, you can see amazing declarations: "Orders are being taken for the vacuum cleaner 'Sea Gull.' The price of the vacuum cleaner is R58, and shipping and handling is R28." It is not hard to figure out how the cooperative is obtaining this scarce commodity. Children's shorts with a little fish sewn on them are selling for R1.50, which is why now you cannot buy these shorts without the fish. The cooperative "Yagodka" in the Darnitskiy Market in the city of Kiev, whose chairwoman was the director of the market, bought up products shipped in for sale on that market and immediately resold them at a higher price.

Cases are not uncommon in which people who used to work in the trade sector and were discharged because they were not trusted go into the cooperatives, as do those previously tried for theft, graft, and other crimes for mercenary gains. The money obtained illegally is being vigorously "laundered" in "legal" business. It is no accident that one out of every five thieves within the law is a cooperative member. Quite a few of those involved in scandal have come here from show business and "art." The cooperative film "Thieves Within the Law," for which the price of a ticket is R2.50, is being shown throughout the country. In the Yalta movie theater "Saturn," after it was transferred to a cooperative, the price of a ticket dropped to R2.20. The city's only concert hall was also turned over completely to the cooperators, and the prices of tickets are now at least R16. Some 11,000 tickets were sold by the Odessa cooperative "Zemlyane" to Kashpirovskiy performances in which the latter never appeared. What was the point of this large-scale scheme; after all, the money was refunded? The solution is simple: On the black market the price of a ticket was not R4-7, as at the ticket window, but R200-300. And the refund was for the nominal price of the ticket, which means that R2.5 million went into the bottomless pockets of people in the shadow economy. Swindlers flourish in a number of cooperatives. For instance, the illiterate swindlers in the Donetsk cooperative "Foto" gave out paid "advice" on anything: how to change the shape of your legs, how to restore the spring in your breasts; what you should be like to please men; what you need for complete happiness; how to correct nearsightedness and farsightedness; therapeutic diets to treat hypertension, stenocardia, osteochondrosis of the spine, polyarthritis, rheumatism, and other illnesses.

Quite often, cooperative apartment bureaus get clever and put five or six people traveling on business in one room. Dishonest operators chose the Truskavets cooperative "Rodnik" to swindle patients who wanted to go to the famous resort. And a visit to the cooperative groups "Zdorovye" began to cost between R10 and R16 per month. Athletic cooperatives are quite widespread in the Ukraine; quite often they lease gymnasiums, pools, and stadiums of enterprises and VUZ's, which is not permitted. Quite a few horoscopes, calendars with half-naked beauties, and so on, have appeared because of permission to publish books published at the author's expense.

Cooperators are taking over an ever greater number of public toilets, collecting as much as 20 kopecks at the door. It seems to many people that paid toilets is an invention of our cooperators. But that is not the case. On the testimony of the ancient historian Suetonius, this questionable tradition was first introduced by the venal Roman emperor Titus Flavius Vespasian—"...and he put a tax on toilets...." And the Roman poet Juvenal commented on this method of earning sestertia in the following lines: "...Any profit has a good smell...." It is just that we have seen cooperators on the scene instead of emperors.

So, there are quite a few violations in the activity of cooperatives. But neither the orientation toward the customer with high income rather than the mass consumer nor the compromising of an important cause by a few cooperators should put us on the road of prohibition, of "restrictiveness." The Chinese saying runs: "Mosquitoes and flies come in the open window along with the fresh air. But do not close the shutters because of that."

The disassembly of the administrative-command system simultaneously signifies assembly of a system of market relations, and the cooperatives have an important place in that. So far they do not have an "image," they are suffering from the diseases of growth, and hurdles are being put in their way. Nevertheless, our young cooperative will get stronger and develop and will help us to understand the science of the market economy at an accelerated rate.

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Ukrainian 1990 Work Loss Strike Statistics Discussed

914F0100A Kiev RADYANSKA UKRAYINA in Ukrainian 6 Dec 90 p 1

[Interview with Chairman of the Ukrainian State Committee on Statistics, M.I. Borysensko, by L. Ananchenko: "Strikes and Losses"]

[Text] Strikes are becoming fashionable. In this difficult period, saturated with social contradictions, this extreme method of protecting the interests of the working person is, unfortunately, becoming quite a widely-used way of expressing dissatisfaction. Sometimes people resort to it long before other methods of resolving conflict have been exhausted.

An explosive mood of impatience is not the best adviser. The way of ultimatums is the way to hopelessness. One can feel sympathy for the miners, whose just demands were not met in due time, although a resolution to this effect had been passed by the Union government. But even when there is no serious basis, it happens that some "hot heads" put forward ultimatums: "either-or." Either immediately satisfy all our demands, however unrealistic they may be, or tomorrow there will be a strike.

This turn of events has angered many of our readers. In letters to the editor, they ask: what if village machine operators or milkers began behaving like that? Who would feed the people? Who would harvest the grain, milk the cows?

A number of problems are intertwined here: economic, political, moral.

How do the strikes look in the mirror of statistics? What losses do they cause to the national economy? What effect do they have on the course of economic reform, preparation for the market system?

Answers to these questions are provided by the chairman of the State Committee on Statistics of the Ukrainian SSR, M.I. Borysenko.

[RADYANSKA UKRAYINA] Mykola Ivanovych, we hear so many different things about the number of strikes and strikers. Some of the numbers appear to be hypothetically enlarged, others, clearly reduced. It is said that statistics know everything. What is the real situation in figures?

[Borysenko] In ten months of this year, there were mass absences from work, or, to put it more simply, strikes, in 260 enterprises and organizations; 127 000 people took part in them.

[RADYANSKA UKRAYINA] Did all the workers in these enterprises strike? Or only certain units?

[Borysenko] One-quarter of the workers in these enterprises. But this led to losses of 122,000 person-days. Production in the value of 14.5 million rubles failed to be accomplished. And if today we constantly have massive shortages, this is partly due to those "absences" from work.

[RADYANSKA UKRAYINA] We all recall that a precautionary, republic-wide strike was announced for October 1. Destructive forces publicized it in every possible way and placed a lot of hope on it. What happened in fact?

[Borysenko] As they say, a large cloud produces little rain. Fortunately, the loud calls produced nothing but a soap bubble. The strike was supported by only 20,000 people in 39 enterprises. And although this represents 0.1 percent of all the workers in the Ukraine, in my view, it should not be underestimated. On the contrary, every occurrence of this type merits analysis. Most enterprises and organizations of the Lvov and Ivano-Frankovsk oblasts limited themselves on that day to holding short meetings, from ten minutes to two hours in duration, without stopping production.

[RADYANSKA UKRAYINA] You mention only October 1. What was the situation over the whole month, which was not an easy one for the republic?

[Borysneko] In October, there were strikes in 42 enterprises. Workers at the Novograd-Volynsky autotransport depot (465 poeple), the Khmelnitsky trolley bus depot (175 people) and the Dunaevtsy cloth factory, in the Khmelnitsky oblast (88 people), put forward demands mainly of a social-economic character.

[RADYANSKA URAYINA] Mykola Ivanovych, you just mentioned several oblasts. Can you describe the "strike geography" of the Ukraine?

[Borysenko] I already said that in ten months, there were 260 strikes. The Donetsk region can be said to hold the record, with 76 mass absences from work; in second place is the Lugansk region, with 69; in third place, the Ternopol region, with 46.

[RADYANSKA UKRAYINA] Where is this statistic the lowest?

[Borsyenko] The Kiev, Chernigov, Rovno and Crimea oblasts had only one stike each, and the Vinnitsa, Ivano-Frankovsk, Chernovtsy, Nikolaev, Kherson, Odessa, Poltava, Sumy, Cherkassy and Kharkov had none.

[RADYANSKA UKRAYINA] Are people paid for strike days?

[Borysenko] As a rule, they are not paid. But there are exceptions. In July, at the Bazhanov mine of the Makeevugol consortium in the Donetsk oblast, strikers were paid R39.3 thousand from a special fund, or R50 per miner. Much smaller sums—R5.4 per person—were paid to workers in the Ternopol road construction firm No. 24 and truck depot No. 3 of the "Lvivsilelektromerezhbud" trust.

Summing up these unhappy statistics, I would like to say the following: Society is now at the turning point. We are at the threshold of the market. People are tired of hard times and shortages. But we must all remember that strikes cause new losses in our budget, in our well-being. Through work and only through work can we guarantee a living standard that is worthy of people.

40 Percent Salary Raise for Educators in RSFSR

914D0114A Moscow PRAVDA in Russian 10 Jan 91 Second Edition p 3

[Article by O. Matyatin: "Decision on Raising the Salaries of Educators by 40 Percent"]

[Text] Among the many complicated problems confronting the fate of schools and education today, one of the most important is that of social protection for teaching and public education workers on the whole. And the most urgent problem—raising the wage level for the work they perform. For many decades we have promised to raise teachers to "unprecedented heights" and yet their wages have constantly been calculated according to the residual principle compared to the production sphere. Thus today the average wage for a teacher (209 rubles) is 81 percent of the country's average wage (258 rubles). And this is taking into accout all of the additional amounts for above-normal work. The average rate for a teacher is only 152 rubles. Naturally, a wage increase has been the principal concern in the package of demands for teaching that has been advanced in all areas.

This was the subject of an article published in PRAVDA on 5 December of last year ("And It Would Be Wrong for the Children"). In it, a question was raised regarding a search for civic accord and a constructive dialogue on the fact that ultimatums are of no benefit. "There can be no doubt," it was stated in the article, "that all of the recommendations expressed in the appeal by teaching associations will be thoroughly examined and that all of the resources required for resolving them on an urgent basis will be mobilized to the maximum possible degree." And thus the RSFSR Sovmin [Council of Ministers] handed down a decree calling for an average salary increase for public education workers of 40 percent. What is the chief feature of this document?

The inclusion on an extensive scale of all categories of public education workers—schools, PTU's [vocational and technical schools], technical schools, pre-school and adult education institutions, institutes for improving the skills of teachers and others. Moreover, the increase in salaries—an average of 40.7 percent—applies to all public education institutions regardless of their departmental subordination.

Even more considerable, compared to other groups, is the increase in the starting wage for young teachers with a length of service of less than five years—from 130 to 190 rubles, that is, an increase of 46.2 percent. The goal—to attract and retain youth in the schools, to ensure their social protection and to prevent their "withdrawal" from eductional insitutions.

Achieving a worthy salary level for older teachers, those with more than 15 years of service—from 170 to 240 rubles (by 40.8 percent). The emphasis upon "young" and also the more experienced teachers required a review of the existing length of service groups. There are now four of them instead of five: less than five years, 5-10 years, 10-15 years and more than 15 years.

A maximum salary increase for those leaders of educational institutions who bear the principal workload and the burden of responsibility for their status and development: for directors of schools—by 39.7 percent, of boarding schools—by 42.5 precent, and of PTU's and technical schools—by 44.2 percent.

Two other circumstances are worthy of mention. When developing the new salary conditions, there was a noticeable desire to take into account the needs of educational workers. The rate for production training experts was raised: in technical schools—by 41.2 percent and in PTU's—by 65 percent. And for senior PTU experts—by 38.5 percent.

The decree of the RSFSR Council of Ministers on raising the salaries of educational workers by an average of 40 percent represents only the first step taken along the path to restoring social fairness in payment for labor—essentially the most important type of labor in our complicated life. The second step, that discussed by the republic's leaders during the last session of Russia's Supreme Soviet—in 1992, to raise teaching salaries to a level no lower than the average wage in the RSFSR sphere of material production.

MOTOR VEHICLES, HIGHWAYS

UDC 621.822.6.002 "313"

Bearings Industry Development Viewed

914H0083A Moscow AVTOMOBILNAYA PROMYSHLENNOST in Russian No 12, Dec 90 pp 1-2

[Article by Yu.I. Bubnov: "Prospects for Development of the Bearings Industry"]

[Text] The bearings industry occupies an exceptional position in industrial production, because not one type of machinery can function normally without its product—antifriction bearings. It is precisely for this reason that the domestic bearings industry was essentially the first to implement the plans to industrialize the country and it underwent rapid development later on.

All the stages in its development were determined by practical requirements. Thus, railroad transport's shift from sliding bearings to antifriction bearings in recent years required that the appropriate production be organized, and then specialized.

Planned capacities to turn out bearings for railroad transport are now being completed at GPZ-16 [State Bearings Plant No. 16]. Construction of the VAZ [Volga Motor Vehicle Plant] made it necessary to set up such large bearings plants as GPZ-15 (in Volzhsk) and GPZ-23 (in Vologda). For the KamAZ [Kama Motor Vehicle Plant] trucks, it was necessary not only to increase the production capacities of existing bearings plants, but to build a new one as well—GPZ-28 (in Lutsk).

The production base of the bearings industry now consists of 30 state bearings plants; four of them are under construction, seven are bearings repair plants, and two are experimental plants. More than 1 billion bearings are being turned out with this base, meeting the principal requirements of the national economy.

But development of the bearings subsector is continuing. By 1995, for example, it should be turning out no less than 1.185 billion bearings annually. By the year 2000, it should be turning out no less than 1.35 billion annually.

Renovation and technical reequipment of enterprises will be required in order to carry out such a production program. But the planning studies to provide for development of the bearings industry have shown that we will not be able to manage without new plants as well. Three of them will make their appearance by 1995—the GPZ-19 in Shabat, GPZ-26 in Markhamat, and GPZ-30 (a branch of the GPZ-9 Production Association) in Leninsk, Uzbek SSR. If the GPZ-27 in Akhunbabayev, which is under construction and has already begun turning out bearings, is taken into account, there will be four new plants built by 1995, but they are all in the Central Asian region, where the demographic situation is very favorable for the establishment of new production facilities. And it even requires this.

It is planned to turn out bearings for instruments at GPZ-19; roller bearings with short cyclindrical rollers and single-row radial ball bearings measuring up to 85 millimeters at GPZ-26; roller bearings with short rollers measuring up to 500 mm at GPZ-27; radial ball bearings of up to 180 mm at GPZ-27 [sic]; and extra-large (up to 2,000 mm in diameter) double-row spherical roller bearings at GPZ-30.

Expansion of passenger car production at the new plant in Yelabuga, as well as the increase in production capacities at the automotive plants in operation, will lead to an increase in the output of bearings at GPZ-18, GPZ-23, GPZ-27, GPZ-28 (after completion of the construction that was begun), GPZ-3, GPZ-4, GPZ-8, GPZ-11, GPZ-15, and GPZ-20 (after renovation and technical reequipment).

In addition, the bearings industry should be prepared in proper time to meet the growing demand for bearings in production facilities which turn out consumer goods (this includes the facilities of sectors which are being subjected to conversion). Chiefly small-sized bearings—the type used for instruments or single-row ball bearings measuring up to 56 mm—are needed for these commodities; it is precisely for this reason that the development of plants manufacturing such bearings (GPZ-4, GPZ-5, GPZ-13, GPZ-20, and GPZ-24) is being reinforced by commissioning the new plant in Shabat.

The requirements of the machine tool manufacturing industry for precision bearings will be met through technical reequipment of the GPZ-1, GPZ-3, GPZ-4, GPZ-9, GPZ-20, and GPZ-23 plants.

Against the general background of all kinds of problems which will have to be resolved in the near future, we should single out in particular the establishment of a production facility at the GPZ-1 for extra-large bearings (up to 7,000 mm in diameter) designed for offshore drilling rigs and large support and turning equipment for construction machinery, unprecedented for our industry; mass production (at GPZ-24 and GPZ-29) of high-precision instrument bearings for video and computer hardware; and mass production (at GPZ-4, GPZ-23, and GPZ-24) of bearings with very low noise, without which further and successful development of the high-priority sectors of the machine-building complex is impossible. But since this complex is the base sector for the entire national economy, it is understandable that the periods of time required to establish the unique bearings production facilities are extremely short, and we need foreign partners here.

So the extra-large bearings will be manufactured under license from the (Rote Erde) firm in the FRG, and the best firms in the world, such as the FRG firm FAG and the Japanese firm NMB, are being brought in for the production of high-precision bearings. Production of low-noise bearings for the electrical engineering industry

will be begun by a Soviet-Yugoslav joint venture established on the basis of the GPZ-24 (construction will be by the Yugoslav construction engineering firm Smelt).

It is planned to gradually intensify the specialization of bearings plants during the course of renovation and technical reequipment. For example, the production of universal joint bearings will be concentrated at GPZ-3—after familiarization with the new industrial process for manufacturing them, which was purchased from the FRG INA firm. This means that obsolete technology will also be taken out of plants such as GPZ-1, GPZ-10, GPZ-11, GPZ-24, and GPZ-28 in the future.

The GPZ-3 and GPZ-8 plants will discontinue manufacturing bearings for railroad transport, because production of them will be concentrated at GPZ-16, as mentioned. The redistribution of part of the tapered roller bearing production between GPZ-9 and GPZ-28 promises considerable advantages as well: with the creation of a shop at GPZ-28 to turn out bearings on a small scale and the transfer to this plant from GPZ-9 of bearings with an outside diameter of up to 500 mm, GPZ-9 will have the opportunity to sharply increase production of the extra-large bearings (up to 2,000 mm in diameter) which are in critically short supply.

The specialization of these and other plants provides a significant reserve for increasing the efficiency of bearing production. And the sectorial scientific facilities, the VNIPP [All-Union Scientific Research, Design and Technological Institute of the Bearing Industry] in particular, are beginning to play a more and more important role in this effort. For example, the classification proposed by its specialists, which contains 155 design and technological groups and subgroups, that is, they are united by features of similarity in design and manufacturing technology, becomes the basis for specialization. At the same time, a case in which a plant manufactures only the bearings in one design-technological subgroup may be the ideal of a high level of specialization (GPZ-16 and GPZ-19, which is under construction, are examples of such a plant).

However, specialists of the "Podshipnik" GPO [State Production Association] are not proceeding just from the ideal, but more from reality. For this reason, they believe there is no prospect at present that all plants will reach this level of specialization: the country would be required to have a minimum of 155 plants (in accordance with the number of design-technology subgroups). Although a developed bearing industry such as in the United States, which turns out the same number of bearings each year as our plants, consists of 140 separate plants belonging to 83 firms. But in our country, as stated earlier, there are only 39 bearing plants altogether, including the experimental and repair plants. That is, our bearing industry is still at a low level of production specialization. The plants which lag behind most of all, from this point of view, are GPZ-1 (67 design-technology subgroups), GPZ-4 (49 subgroups), GPZ-3 (41 subgroups), and GPZ-11 (29 subgroups).

It is clear that the low level of specialization is making production management extremely complicated; in order to alleviate the situation at these plants, if only to a certain extent, we need to disperse their range of products to other plants first of all, and secondly, we must make provision for internal plant specialization during the process of renovation and reequipment. And this is what has been done recently.

Thus, at GPZ-4, the lathe and heat treatment work, together with the warehouses of metal and other materials, are being taken out to the suburban zone; GPZ-3 is setting up its own branch (GPZ-22 in the city of Dagenstanskiye Ogni), which will be responsible for turning out extra-small articulated bearings.

GPZ-1 has turned out to be in a very disadvantageous position. Despite the fact that it is being relieved of the manufacture of seven subgroups of bearings, new production of extra-large bearings will be developed at it, which will give it 14 more design-technology subgroups. Though provision is being made to build and equip production capacities in a separate territory (the rayon of Lyublino in Moscow) for this, which essentially will establish the preconditions to earmark this territory for a separate enterprise.

Despite the expanding production within the country, the task of fully meeting all the requirements of the national economy for antifriction bearings cannot be accomplished in isolation from the world market. Awareness of this has already led to an extension of ties between the country's national economy and the world economy and the world market and to a gradual increase in the volume of purchases and the product range of technical facilities completed with foreign bearings. Bearings are needed as spare parts for them, naturally. Two things can be done here: either turn them out (duplicate the product range) in our plants or purchase them abroad. The first alternative is unacceptable—if only because this would sharply reduce the level of specialization of our plants and require a great deal of new equipment, and so forth. We are left with the second alternative—purchase some of the bearings by obtaining foreign exchange from the sale of our own bearings. But for this we need to turn domestic bearings into a commodity that is competitive in the world market. Our bearings must be made so that they are in no less demand at an identical price than the bearings manufactured in the United States, the FRG, and other industrially developed countries. This is a very difficult task, but one that is feasible.

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Bearings Price Formation Examined

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[Article by L.N. Kuznetsova and A.V. Komarov: "The Pricing of Antifriction Bearings"]

[Text] Refinement of the pricing system for antifriction bearings is one of the most important aspects of organizing efficient operation of the bearing industry under the economic reform conditions. And it is proceeding. In particular, a review of the wholesale prices introduced on 1 January 1982 was begun in 1987.

It must be said that the bearing industry came to this moment in a difficult economic situation: the profitability of all commodity production in 1987 amounted to just 13.8, but the profitability of bearings alone was 14.7 percent (the norm is 17.2 percent), and nine plants—GPZ-6 [State Bearings Plant No. 6], GPZ-14, GPZ-18, GPZ-20, GPZ-24, GPZ-27, GPZ-28, and the Alma-Ata and Tambov RPZ [Regional Bearings Plants]—were simply operating at a loss. The main losses were related to the production of 3,657 standard sizes of bearings (30.5 percent of the total number); in terms of quantity, this is 282.5 million units, or 28.4 percent of the total number produced.

The question naturally arises: why are numerous standard sizes of bearings unprofitable? Analysis shows there are many reasons, and a number of them are typical not only for the bearing sector, but other sectors of machine building as well. For example, reasons such as the significant increase in recent years of the cost of new domestic equipment when its productivity is practically maintained at the level of productivity of what is being replaced, and inefficient use of production capacities at some enterprises because of the shortage of skilled personnel, and so forth.

But there there are also reasons that are particularly subsectorial: an increase in the cost of metal and auxiliary materials which took place after adoption of the wholesale prices for bearings in 1982; the continuous improvement in the technical features of bearings without compensation by consumers for the unavoidable additional labor-intensiveness and production cost; and the considerable differences in the profitability of identical and similar bearings at bearing plants because of variations in the extent of technical equipment and the sizes and territorial distribution of enterprises, at a time when prices were formed on the basis of the average sectorial production cost of bearings and the assigned (low) scheduled figures of profitability in the subsector.

True, as partial compensation for the additional expenditures to produce bearings of better reliability and precision, the prices for them were raised somewhat on 1 January 1988 (for radial ball bearings and thrust ball bearings with a precision grade of 6; bearings produced in accordance with special technical conditions—the YeTU 500, TU 37.006.072-075, and TU 37.006.060-80; and bearings whose parts are manufactured with ShKh15V steel and certain other groups).

But this is a half measure which has not provided the subsector with an appreciable increase in profit (the price increase applied to the bearings being turned out in relatively small quantities) and it complicated relationships between the bearing plants and customers a great deal at the same time. Moreover, when the scheduled figures for the bearing industry were worked out, the subsector's actual situation and the opportunities to lower the production cost of its output were not taken into account. As a result, this reduction was set at 6.6 percent for the 12th Five-Year Plan (the base was 1987), while the cost of metal that was taken was also in effect in 1987, although in the 1988-1989 period, in spite of the continuous conflicts and arbitration disputes with metallurgical plants, the bearing enterprises were compelled in a number of cases to pay for those additional properties in the metal which are not needed to produce bearings. For this reason, it is now clear that the profit of 524.8 million rubles which was provided for in the new wholesale prices for bearings will not be received.

Further. In its methodical instructions on reviewing the wholesale prices for an industrial engineering product, the USSR State Committee on Prices specified that prices are formed on the basis of standardized cost estimates of the consumption properties and quality features of this product. In principle, without criticizing this approach, we cannot help but point out at the same time that direct adherence to the method has involved considerable difficulties for the items which complete a machine building product, such as antifriction bearings. The difficulties are related both to the diversity of requirements made on antifrication bearings and production conditions which have taken shape: the basic technological processes being used at plants, the specialization and structure of capacities, and the batch production of individual bearings, as well as the variety of their modifications and differences in design, precision classes, and materials used. The point is that the consumption properties ("indicators of purpose" according to GOST [All-Union State Standard] 4.479-87) of antifriction bearings are determined by a large number of basic parameters: their dynamic and static load-carrying capacity, level of vibration, maximum rotational speed, overall dimensions, precision class, quality category (A, B, C), the degree of residual magnetization, and deviation of the angle of contact from the rated magnitude (for radial thrust bearings). In addition, there are also reliability indicators (dependability, durability, precision longevity, longevity of impermeability, safety, and ergonomic and other indicators), which are common in nature, that is, they apply to most of the design varieties of bearings, and the design itself determines a number of the consumption properties, particularly the direction of the loads absorbed in relation to the axis of a shaft (radial, radial-thrust, thrust-radial, thrust), the degree of

impermeability (enclosed), and the level of qualitative features (for example, the high speed of radial ball bearings is considerably faster than the radial-thrust tapered bearings of equal overall dimensions). However, the bearings in one design group which are of different types (series), that is, bearings which have a different correlation between the external and internal diameters and width but the same external diameter, have different dynamic load-carrying capacity and different high speeds.

Under these conditions, the selection of one indicator or the development of an integral indicator which could be correlated with the cost indicators of all bearings is practically impossible. Because essentially only the bearings in one series are comparable. In other words, an analysis of the correlation between qualitative parameters and cost indicators may be made only for each individual series of bearings. The task of selecting a qualitative parameter is simplified somewhat here. Indicators such as the precision class, level of vibration, the deviation of the angle of contact from the rated magnitude, and a number of others are provided for by special technological measures and are taken into account in the price list in effect, but the new price list specifies coefficients for the prices of bearings with minimum requirements (as a rule, these are bearings in precision class "O"), which are taken as the base. And then, the only task remaining is to select the qualitative parameter to plot the prices for a number of base bearings, that is, the bearings in one design group and series which are manufactured with identical materials and differ only in their overall dimensions.

"Dynamic load-carrying capacity" was adopted as such an indicator in working out the new wholesale prices. Because it is precisely what determines the durability and efficiency of a bearing and is one of the basic features in accordance with which a designer selects bearings to build machines and mechanisms. It also must be taken into account that aside from the design, dynamic load-carrying capacity characterizes the geometric parameters, the precision in manufacturing the parts of a bearing, and the quality of materials in the races and bearing cores. Though the indicator chosen has a drawback as a factor in forming prices—incomplete reflection of requirements for a bearing's overall dimensions: in a number of cases, two bearings which are successive in dimensions have identical dynamic load-carrying capacity. Nevertheless, the indicator adopted is more acceptable than the one suggested by the USSR Goskomtsen [State Committee on Prices]. For example, a regressive analysis of prices and dynamic load-carrying capacity conducted with the aid of this indicator for the largest series of basic bearing design groups showed that they are all "stacked" in a parabola of the third order. But under the condition that the actual expenditures to produce the bearings do not differ from those that have been scientifically substantiated. However, such discrepancies exist in practice. As a rule, they are associated with the "nonstandard" technologies in manufacturing bearings of specific overall dimensions. For this reason, an economically substantiated differentiation of the standard-size rows of bearings by dimension ranges is necessary for a more precise mathematical model, based on the best technological processes to obtain them that are now in use. Without this, the wholesale price level for the model found will not correspond to the socially necessary expenditures for production of the bearings.

This circumstance has been taken into account in the new price list: the theoretical wholesale prices obtained have been used as tentative prices to order the relationships in the series of specific wholesale prices, taking into account the bearings' dynamic load-carrying capacity.

A second feature of the new price list is that the number of items fixed by wholesale prices have been significantly reduced (by 40 percent) in conformity with the USSR Goskomtsen requirement, but more additional charges and coefficients have been provided for in relation to the base prices. These additional charges are for radial ball bearings in the 50,000, 60,000, 80,000 and 150,000 series, spherical roller bearings with symmetrical rollers, and bearings with races made of metal from electroslag remelting; the coefficients are for thrust ball bearings in precision classes 2 and 4; and differentiated coefficients are for roller bearings with short cylindrical rollers in the 318,200 series in all precision classes. A large number of additional charges have been provided for an increase in bearings' technical features and for bearings produced in accordance with special technical conditions (straight prices were set for the latter in the current price list). Extension of the system of coefficients and charges added to base prices makes it possible for both manufacturers and customers to evaluate beforehand the economic consequences and effectiveness of replacing one type of bearings with others.

It was planned to introduce the new wholesale prices on 1 January 1990. But because of the extensive changes in the country's economic mechanism over the past three years, it was decided to wait a little before introducing them in order to "break them in," by making use of them for the present (in 1990) as a means of optimizing production plans and verifying their influence on profit by sectors and enterprises under conditions in which the range of products being turned out and other factors have changed significantly. Consequently, the "VNIPP" NPO ["All-Union Scientific Research, Design and Technological Institute of the Bearing Industry" Scientific Production Association] and bearing plants still have an opportunity to continue work for several months to further improve price formation in the bearing industry, and it cannot be missed, of course. In particular, by using computers, we should verify the actual profitability by plants (with a differentiation of bearings by size and design groups, the classes of precision, and technical conditions), using the new prices for the entire planned product range in 1990 and adjust these prices when necessary; we should work out methodical recommendations to set wholesale prices for antifriction bearings by taking new All-Union methods into account; we should

develop a system of computer programs to analyze prices which makes it possible to form and later supplement a data bank on bearing production cost and prices and which provides the opportunity to form standard-size rows and to make a regressive analysis of production cost and prices; we should analyze the price list of wholesale prices and theproduct range for bearings in accordance with the design and size groups assigned, for plants and the sector as a whole, and analyze the correlation of expenditures to produce bearings manufactured in accordance with different technical requirements, and so forth; we should complete the development of methods to calculate the coefficients for the wholesale prices of bearings, depending on series production, and expand the overall terms of payment in the price list for wholesale prices; and we should monitor the accuracy of applying wholesale prices for bearings and basic materials at bearing enterprises.

There are many complicated aspects of this work—organizational, methodical, and technical. Most of them stem from the vast size of the antifriction bearing product range itself. Take the automation of accounts as an example. The product range, as well as the system of conventional designations for bearings which are not sufficiently accurate, is leading to the point that we either must develop a classifier that is cumbersome enough or search for some other solutions.

But despite all the difficulties, the tasks that have been enumerated must be carried out. Prices are a problem that is too serious, and we cannot treat their refinement as a matter of minor importance.

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RAIL SYSTEMS

Chief Interviewed on Railways Electric Supply Program

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[Interview with V.V. Munkin, chief of the Electrification and Power Supply Main Administration (TsE) of the Ministry of Railways, by N.A. Sergeyev, special correspondent for ELEKTRICHESKAYA I TEPLOVOZNAYA TYAGA: "The Reliability and Economy of Power Supply Devices"]

[Text] **At the end of this year, the MPS [Ministry of Railways] held a meeting of the chiefs of power supply services for the roads. It was also attended by representatives of industry, scientists and workers. A businesslike, basic discussion was conducted on the problems of the sector and ways to develop the service. N.A. Sergeyev, our special correspondent, met with V.V. Munkin, chief of the Electrification and Power Supply Main Administration (TsE) of the MPS and asked him to answer a number of questions.**

[Sergeyev] Vladimir Veniaminovich, what was brought out at this meeting?

[Munkin] First of all, the fact that the roads have made a transition to economic independence, have undergone decentralization of resources and have changed the procedure for financial development. It was therefore required that the next meeting be held with several different statements of the problems, as compared with the preceding ones.

I felt it necessary to consult on the most painful problems and to move away from verifying the results of the work when the roads and their indicators are enumerated: data of this sort is set forth fully enough in the yearly analyses. On the basis of what has been said, the main administration presented three reports, corresponding to the three main, in our opinion, directions—improving operations work, the problems and perspectives of electrification and reinforcing the production base.

[Sergeyev] If you have no objection, let us dwell in more detail on the first of those directions, since among the readers of our journal there are many workers on power supply subdivisions and in contact-wire system areas, in a word, those who are directly answerable for well-being in this service.

[Munkin] Very well. I wish only to make more specific the fact that uninterrupted train traffic on electrified sections and the power supply of many enterprises depend on almost 82,000 persons. Of them, 32 percent are women.

[Sergeyev] Then the first question is—what constitutes the sector?

[Munkin] The value of the industry's fixed capital is about six billion rubles, or four percent of the total funds of the MPS. The operating expenses reach 0.5 billion rubles. Over 60 percent of the freight turnover is carried out by electric traction, and lines with automatic block signal systems and centralized traffic control occupy a little under 70 percent of the operating length of the network.

The ministry needs 78 billion kilowatt-hours, or 4.5 percent of the electric power generated in the country. As you can see, the data quite fully describe the importance of the stable work of power supply devices in ensuring national economic freight transport.

[Sergeyev] What are the indicators characterizing the operations work?

[Munkin] If you analyze the three five-year plans from 1976 to 1989, the number of defects increased from 576 to 1,226, freight train delays rose to 52,178 hours, and suburban train delays—from 1,882 to 3,744. At the same

time, a reduction was noted in damages to the contact-wire network. I will give some data on the most characteristic damages.

For example, burnouts and failures of the contact conductor dropped to 18 percent, damages to the steady brace assemblies were reduced to approximately 5 percent and damages to the catenary and other conductors remain at a level of 12 percent. At the same time, defects in supports, brackets and cantilevers rose by 2 percent. These data relate to the period from 1985 to 1989.

[Sergeyev] What reserves do you see for increasing reliability?

[Munkin] We have a large group of technical measures. The drawback lies in the fact that accounting and analysis of their introduction has not yet been set up. Therefore, many years after the decision was made to modernize, the damages are repeated, as for example, the burnout of the catenary in the seat on the insulated cantilevers. Painstaking organizational work must be done in the services to introduce effective measures.

There are serious omissions in carrying out a technical policy to insulate the contact-wire system using alternating current. There is progress. A new version of the Rules for Technical Service and Repair of the Contact-Wire System for Insulation has been distributed to the services.

The development of new bar insulators has begun. We must stiffen the requirements in GOST for plate insulators. The reliability of power line parts is causing serious censure. New parts must be created—suspension grips and clamp connectors, made by forging. In our opinion, it is difficult to raise the quality of cast parts made of nonferrous metals. The paradox is that today, defective products satisfy the requirements of the existing GOST!

In order to reduce the number of breakdowns in current collectors, the aerial crossovers should be modernized. They are now testing modernized runners for the current collectors, which must be produced at the plants of the TsTVR [Rolling Stock Repair and Spare Parts Production Main Administration] of the MPS.

Reducing the burnout of conductors is an important task. An effective way is to install additional electrical connectors. Considering the fact that the supply of the MG-95 conductor is extremely unsatisfactory, welded structures made from the A-185, developed by specialists on the Moscow Road, must be introduced, and electrical connections made from a worn-out, annealed contact conductor or the M-95 must be installed.

[Sergeyev] How do things stand with the support-locking system, and what is proposed to be done in this direction?

[Munkin] We have about two million reinforced concrete supports in operation, and of them about 1.5 million have prestressed reinforcement. Experience has shown that an effect is being achieved mainly in the construction of electrification. Their mass use has made operation more complicated, due to poor reliability on direct current sections, the sensitivity of the supports to climatic factors, insufficient resistance to corrosive media and unsuitability for repair. They are being replaced on direct current sections.

It is estimated that 85-90 percent of the supports will serve for 40 years. If they have been used up to 25 years, about 2.5 percent have been replaced. In the last five years, 34,500 units, or 4.2 percent, have been replaced. The cost of replacing one support is 400 rubles. Consequently, increasing the length of sections with a service life of over 30 years will increase the need to replace up to 40,000 supports. For this we need mechanisms, the supports themselves, additional labor resources and "windows".

About 63 percent of the supports have to be changed due to the electrical corrosion of the foundation sections. The reinforcement of the supports must be protected against current leakage. Even its short-term effect is of the same nature as the effect of dynamic loads.

For example, on the Southern Road, the supports collapsed 13 years after installation. On the Kuybyshev Road, five supports collapsed at the same time, and they are falling on a number of other roads. Therefore, priority attention must be paid to protective devices, and low-resistance supports found.

Type S supports are sometimes installed on direct current sections, which is impermissible. We and the service of the Southwestern Road must achieve the transition of the Gnivanskiy Plant to the output of only type SO supports. In addition, the service directors should personally monitor the work of the groups for corrosion, and the road electrical engineering laboratories need the appropriate specialists.

The main administration asked the Ministry of Transport Construction to stop the output of supports with prestressed reinforcement and to convert to manufacturing them with mixed reinforcement along the entire length, regardless of the type of current. We are working on expanding the sphere of use of metal supports with a protective anti-corrosion coating. We are recommending that the roads retain the existing metal structures.

For this, the road trusts must update the production of reinforced concrete foundations by the plants. Since supports with a reduced protective layer of concrete are being found, input monitoring of incoming structures with a ring spherometer instrument must be organized when new lines are electrified.

We know that our rigid portal structures are poor. In the future we would like to introduce protective coatings or develop their production from corrosion-resistant steels. Meanwhile, the use of rigid parts can worsen the situation. Increasing the sphere of use of flexible portal structures may be suggested as one of the ways out.

[Sergeyev] You spoke of the effect of climatic factors on the reliability of the structures. Tell us, please, in more detail, about work under complex weather conditions.

[Munkin] The greatest amount of damage and defects occur in July and December. Thunder and low temperatures have an effect. While there is preparation for winter, for the feature specific to us—the thundery season—the attitude on the roads can be characterized as unsatisfactory.

Most often, the insulation is damaged on roads with alternating current—the Tselina, Odessa and Krasnoyarsk. In order to increase the thunder protection of the STsB [signalization, centralization and blocking] open-wire lines and modern devices to limit overvoltages must be used.

I should like to note that preparation for winter is sometimes only formal. ECh [electric frequency meter] measures give a mechanical transcription of the instructions for preparation for the winter season, but they are not compiled on the basis of inspecting the devices. In the last few years, the damages during wind and low temperatures have increased due to constriction of the conductors and their burnout after contact of newly installed supports. Burnouts in synthetic structures have increased.

Every year, during the first temperatures that drop to minus 20 degrees, breaks appear in the current collectors, even though the roads were obliged to carry out preliminary bypasses with increased pressure on the current collectors.

Work experience on the Dnepr and Donetsk roads attests to the fact that ice storms can be efficiently combated. Specialists of other roads should introduce their developments, particularly heating conductors in the yards and on side tracks and air drums. Units to apply anti-ice-storm lubrication must be more widely used.

There are sufficient methods of combating wind effects. It must be stated, however, that their use begins only where and when the damage has been done. Each person can find his own specific examples.

[Sergeyev] Vladimir Veniaminovich, what is being done to mechanize labor on contact-wire systems?

[Munkin] Our basic means of mechanization continues to be the railbus. It is about 15-20 percent mechanized. For comparison, I will say that in routine track repair the level of mechanization is 41 percent, and in capital repair it reaches 87 percent.

Because of the yearly increase in the extent of electrified lines and the improvement in the working life of supporting and propping structures on sections electrified after 1956, the repair volume must be constantly increased. For this, we must make the transition to a technology of improving conditions, combined with track "windows" lasting 3-4 hours, and must mechanize work to the maximum.

Practical work in the repair of the contact-wire network and replacement of the supporting and propping structures on the West Siberian, Donetsk, Dnepr, Moscow and other roads has shown the need to create repair columns on the power supply subdivisions. They should be equipped with the appropriate mechanisms.

The industry's need for ADM railbuses is not being satisfied by the Tikhoretskputmash Association. At the most modest estimate, we need to be supplied with 200 units. Some 60-65 railbuses are arriving now, and by 1995 the output will increase to 95 units. We have managed to achieve a supply of 7-9 cable-drum trailers and installation cars, instead of 35-40 a year. In today's system of market relations, rolled metal and other completing items are needed to manufacture them. The industry's needs for other equipment will apparently not be satisfied, mainly because of the lack of production capacities.

In order to get out of this difficult situation, a number of roads are developing and manufacturing mechanisms with their own forces. This is not making up for all our needs, however.

The optimum variant for capital repair of a contact-wire network is considered to be the installation train, consisting of a railbus or diesel locomotive, a VK trench digger, flatcars to transport and unload the supports, flatcars with a manipulator to install the supports and, if it is available, a diesel-electric crane.

The industry is forced to operate 700 DMS railbuses, due to be written off as obsolete, and with no load-hoisting mechanisms. It has been decided to develop a railbus with a diesel engine and hoisting tower, based on them. The blueprints are now being drawn up at the PKB [planning and design bureau] Main Administration.

Specialists of the main administration are designing a lighter railbus with a trailer flatcar, based on the ALG maintenance personnel railcar. Their series production has so far not been set up at the plants of the TsTVR of the MPS, however. I feel that it is expedient to use self-moving trailer flatcars with a hoisting tower. They are already being developed and we will soon need to find a manufacturer.

I should like to note that the difficulties with the repair of U1D6 diesels have been resolved. The Kaluzh, Gayvoron, Saran and Stryy plants also have these potentials. Our needs for the repair of wheel pairs for AGV and DMS have also been satisfied. It must be said that a number of services are not studying the development of bases for intermediate repair of motor-rail transport. Over half of all the defects in railbuses and personnel maintenance cars have occurred on the ten roads that do not have them. At the same time, the workers in the services are not interacting with the corresponding

deputy road chiefs and road chiefs, and they do not understand the importance of this.

The manufacture of devices for small-scale mechanization must be studied: all-purpose wrenches, cable cutters and hand presses, right up to manipulators with a hydraulic drive to stretch and join catenaries and contact conductors. The roads are capable of developing them, in the workshops.

[Sergeyev] I think that the readers will be interested in what you have said. I should like to find out about the development and introduction of new equipment, and what awaits us in the near future?

[Munkin] Seven directions are outlined in the sectorial scientific-technical program for the power supply service. The main ones are: a considerable reduction in the damage rate of devices for power supply of traction and STsB through introducing equipment, structures and units with increased reliability, a reduction in labor expenditures for routine service and repair of the devices through mechanizing the most labor-intensive production processes, widescale introduction of diagnostic devices and improved technology and improving the control of power supply devices through introducing automated, telemechanical, computer and microprocessor equipment. If you return to the start of our conversation, it can be noted that we have not fully succeeded in solving these problems.

Of the 43 scientific-technical and experimental-design studies specified for introduction by the plan, 30 are being carried out in accordance with the program, eight are lagging behind, and five have failed through the fault of industry; a dry transformer for the overhead lines of automatic blocks, a vacuum circuit breaker and a number of other devices have not been developed.

The problems were partially reoriented last year. The financing amounts were raised for work increasing the reliability of power supply devices, for example to develop new types of insulators, means of protecting supporting and propping structures, diagnostics and automation and mechanization of production processes for the contact-wire system.

Over one-third of the yearly financing was assigned for the development of machines, mechanisms and diagnostic devices, about 30 percent for improving traction substations, and 15 percent for automated equipment. The program outlined is on the whole being fulfilled on time. There is still anxiety, however. The reasons for this are the limited production potentials and monopoly over the goods produced in industry, the lack of funds to introduce models of new equipment into service, and the scarcity of information, of advertising, if you wish, on certain specific developments.

In addition, the shortage of initiative "from below" is being keenly felt. Right now, there are a number of tasks that have not been widely disseminated, although the possibility of increasing supplies exists. This applies to stationary FKU, units to cut off supports, IKT instruments, "Filin" and others. In this case the stereotyped thinking of the economist comes into play: "...there is so far no particular need to introduce [them] and there is no point in spending the funds".

There is another quite important circumstance. Right now industry is working under new conditions of economic activity, and next year market relations will come into effect. Our need for certain specific equipment, particularly during conversion, is being satisfied. The requirement that the developer pay all the expenses, including those involved in series production, however, is fully justified.

Our attempts to draw the roads into financing have not been crowned with success. For example, polymer bar insulators received a favorable review. They are greatly needed. Three million rubles would have to be found in order for the Lvov Plant to develop their output. Eleven roads, including the Belorussian, Lvov, East Siberian, Northern, West Siberian and Southwestern, have transferred a little over 0.5 million rubles.

This sum is clearly inadequate. This year the SAIZ experimental plant stopped supplying insulators made of silicone rubber, and their production was not set up at the Lvov plant. The same thing can be said of other developments.

In order to surmount the difficulties that have arisen, a Council of Railroads or an association for cooperative funds could be created at the main administration. I think that at the first stage about a million rubles would be enough to finance scientific research and experimental design work, and 3 million rubles for capital investments. For this, the services should have permanent quotas in the general funds of the roads.

A number of services have the necessary scientific and production capacities. Road bureaus, workshops and laboratories have personnel at their disposal, the qualifications and experience of whom make it possible to create a number of new equipment models. I would like this work not to be limited to preparing documentation suitable for the production of innovations only by and for oneself. One of these ways may be to set up small enterprises.

It would not be without interest for the readers to learn that the government has adopted a program for reequipment and modernization of railroad transport for 1991-1995 and to the end of the century, as well as a sectorial program for the MPS. The drafts were full of promises, but I can say with certainty that little remains from the original proposals. One cannot hope for a rapid rise in the technical level of the service through carrying the program out. Therefore, we must count mainly on our own forces.

The main administration proposes concentrating the main efforts on mechanizing and automating the production processes. One of the ways of achieving this is to

develop lightweight, economical maintenance personnel cars and to create modules for comprehensive repair and technical service of devices and robotization of individual processes.

Structures for units, parts and insulating elements, new in principle, must be developed and introduced. The introduction of ASUE and the creation of systems of diagnostics and personal computers should continue. Traction substations must be converted to complete block equipment.

Sixteen presses were purchased in Germany for pressed connections for contact-wire systems. The Central Asian Road is setting up the output of hand presses and the corresponding parts. First of all, pressed items can be mounted when joining contact conductors, catenaries and electrical connections. The production of ADO will be developed next year.

[Sergeyev] Obviously, the successful fulfillment of what has been outlined depends on new forms of labor organization. In addition, they will make it possible to improve the maintenance of power supply devices, increase wages and affect the social conditions.

[Munkin] Quite right. Contracting forms—brigade, collective, lease—are being disseminated in the service. For example, the subdivision power supply of the West Siberian Road, where 70 percent of the total number is encompassed by the brigade form, have reduced the amount of damage by almost 40 percent and defects by 42 percent.

Traffic safety has considerably improved on the subdivisions of the Moscow, South Urals, North Caucasus and other roads. At the same time, the financial-economic indicators in these subdivisions have improved, and the workers' wages have risen.

The wage fund in the first six months increased by 108 percent as compared with the same period last year. In order to increase the wage fund, the work plan must be separated from the volume of work to render paid services to the population.

Collective and lease forms of labor organization made it possible to review the individual contribution of each member of the brigade, that is, to give up wage leveling. The directors of the subdivisions do not have to divide the wages among the workers. Their individual amount should be determined only by individual work.

The experiment of the Zhigulevskoye More subdivision can be given as an example. Work done here under leasing conditions led to an increase in the economic incentive funds and greater independence in their use. This made it possible to establish additional material benefits for the personnel.

For example, with retirement on pension on the subdivision, a one-time compensation amounting to the average monthly wage is paid. It became possible to give material assistance in the amount of the salary or wage rate. It is quite important that mothers are paid a subsidy of up to 50 rubles a month until a child reaches the age of three years. The subdivision workers are delivered fuel free of charge.

A great deal is being done through our own resources to improve everyday conditions for the workers. For example, they have adopted proportional participation in building an apartment house. The collective of the subdivision is interested in fulfilling the orders of other enterprises and rendering services. It would not be bad for others to make use of this experiment.

[Sergeyev] The workers of line enterprises are interested in developing the production base, without which it is impossible to give high-quality service in building up the industry. What awaits power supply workers in the near future?

[Munkin] One of the essential shortcomings in labor organization of the personnel, and particularly contact-wire system electricians, is the low level of mechanization. I have already mentioned the reason for it. I will add that the power supply subdivision is poorly provided with specialized equipment, structures, spare parts and components. The consequences are well known—poor labor productivity and work quality, high losses of work time and nonfulfillment of the schedule for preventive maintenance and a high accident rate. In the final analysis, this affects the prestige of the profession.

The main administration is constantly looking for a way out of the complex situation. For example, an agreement was reached with the management of the Tikhoretskoye Association on increasing the output of the ADM railbus for our needs, beginning next year. Contacts have been set up with the producers of the VK-3 and automatic hoists with hinged booms, based on ZIL-130 vehicles.

The collective of the PKB TsE of the MPS has developed a set of machines and mechanisms for comprehensive repair of the contact-wire system in "windows" lasting 3-4 hours. A cable-drum trailer and railcar workshop with an electric tower car have gone into series production, and a test model of a dormitory car is being prepared. In 1991, colleagues of the planning and design bureau will draw up the plans for modernizing DMS maintenance personnel cars with a diesel engine. Unless the repair-production base is expanded and reinforced, however, the problems in the road service will not vanish.

There are various approaches to solving them. The Sverdlovsk Road, for example, has two workshops, and the workers of the North Caucasus have considerably expanded the Caucasus workshops. The South Urals Road has set up a shop to repair motor-rail transport and is building an experimental shop and a shop to manufacture reinforced concrete supports for the contact-wire system, and on the Donetsk Road, workshops in Krasnyy Liman are being expanded. A number of roads foresee considerable capital investments in renovating workshops and in new construction.

The potential and the production level of the workshops vary. On the Alma-Ata, it is essentially a plant leased for seven years. The list of items is extensive: manholes, turnbuckles, switch-heating cabinets, devices to replace suspension insulators and many other things. The yearly output volume is about 4 million rubles.

The Insk workshops on the West Siberian Road enjoy well-deserved fame. They specialize in the repair, manufacture and remodeling of various transformers. They have developed a chromatographic analysis of the oil here, according to the results of which a conclusion is made as to the performability of the transformers being operated. The yearly output is worth 500,000 rubles. These and workshops like them provide for the industry of their road, and also supply items to other roads.

Road workshops are enterprises that are also capable of organizing the production of consumer goods. With a skillful approach, they will give real assistance to people, and will obtain a considerable profit.

[Sergeyev] In conclusion, Vladimir Veniaminovich, I should like to hear what our services should do to provide a successful solution to the complex problems facing the industry"

[Munkin] In accordance with the program for re-equipment, by the year 2000 the relative proportion of electric traction should reach 71 percent, for which 14,000 kilometers will be electrified. Single-phase vacuum switches for 27.5 kilovolt feed lines and direct current switches for a voltage of 3.3 kilovolts with increased voltage capacity should be introduced. At places where an increase in atmospheric pollution has been noted, the use of insulators made of silicone rubber is specified.

Wider use will be made of copper shapes for the pressed clamps of the contact-wire system, and of shapes made of low-alloy structural steel for locking systems. The program specifies the development of traction transformers with reduced losses, an increased RPN life and adjustable units of compensation for reactive power.

In addition, a number of the problems related to the construction of new electrified sections are to be solved.

[Sergeyev] Thank you for the interesting and informative interview.

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