

Mikhail Gorbachev's market reform speech

PRESIDENT Mikhail Gorbachev in his speech to the Soviet Parliament on October 19 made a strong case for the *Guidelines for Stabilising the National Economy and Introducing a Market System* as a document which, he said, maps out the general strategy of progressing towards a market with full regard for the specifics of different regions and republics.

Presenting the plan to Parliament, he said the blueprint has the same thrust as the plan he submitted last September, but also takes into account suggestions from parliamentary committees, deputies and constituent republics.

Gorbachev said the *Guidelines* proceed from the premise that relying on agreed general principles, the President and government will be able to efficiently use their powers, while the republics will be able, acting in these general directions, to adopt and implement, with essential assistance from the centre and in co-ordination with one another, their own stabilisation and market reform programmes.

Without regard for the sovereignty of republics, any plan would be doomed, Gorbachev stressed.

"It is for the first time at federal level that the republics are being given such broad rights, including in the fields of ownership, pricing, incomes, social security for citizens, budget formation and uses, crediting and others," he said.

The centre, he explained, will exercise rights that are delegated to it by the republics and are needed to "ensure the integrity of the union's economic area" and to take advantage of possibilities for extensive economic integration and of a nationwide market.

The Soviet President stressed that the submitted document was a concrete step towards the implementation of the socialist ideal. "In spite of all deformations, all the losses and dramatism of everything our people has endured, the socialist idea is alive and deep-rooted in their souls," Gorbachev said. "People value the socialist ideal not because socialism is merely a high-sounding world. It reflects concepts of a society of justice, equality, freedom and democracy."

Turning to the sequence of the steps that will be taken to stabilise the economy and move to a market economy, Gorbachev stressed that the development of a fully-fledged market mechanism would take many years. "The submitted document solves the most difficult task of stabilising the economy and creating the basic market instruments," he said. "It is most important to revitalise the finances and stabilise the monetary system, to strengthen the rouble and ensure on this basis ample control of inflation processes, to set free the prices and create conditions for economic interest and start the mechanisms of market self-regulation. And this must be done in a matter of one-and-a-half to two years."

Gorbachev noted that in the sphere of property relationships it is necessary and possible to reach agreement at the all-union level to recognise the multiplicity and equality of different forms of property and their use in areas where the potentiality of a given form can be best put into play. The republics and local councils will decide on concrete ways to promote the development of various forms of property. Multiplicity of forms of property will be recognised in the sphere of land relationships too.

"A new social policy should also meet the changing economic conditions," Gorbachev went on to say. "The focus of attention in social policy should shift towards stimulating the highly-productive work of every person."

"A person who cannot work has the right to receive help from society. Special programmes for aid to the socially vulnerable sections of the population, primarily pensioners, the physically handicapped, and families with many children, will be implemented."

"While renouncing the protection of businesses, the state will protect people," Gorbachev said. "Those who will have to change jobs will be assisted in finding another job, and in re-training."

"During the transitional period, the state will do its utmost to curb the growth of retail prices of prime necessities, and fixed state prices will be set for the most important goods. During a revision of prices, pensions, allowances, student grants and fixed incomes will be indexed."

Gorbachev pointed out that the transition to a market economy requires giving greater scope to economic relations with foreign countries and raising them to a new level.

"In order to go to the world market not only with raw material resources, efficient coordinated efforts and well-considered structural and technological policies are needed," he said.

The convertibility of the rouble is the major mechanism which should be activated to ensure a breakthrough to integration into the world market, Gorbachev said.

Attracting foreign financial resources is useful and essential, the President said. However, he added, our partners in the West are now asking who should we do business with and how can financial negotiations be conducted in earnest when relations between Soviet republics are unstable, and conflicts arise over the conclusion of foreign economic contracts?

This state of affairs is detrimental to business. Republican leaders are aware that it is necessary to pool efforts and act concertedly, without damaging the country's currency policy and foreign economic relations at this important stage, Gorbachev said. □

(Summary)

Soviet Parliament approves Gorbachev's economic guidelines

ON October 19 the Soviet Parliament approved by an overwhelming majority President Mikhail Gorbachev's guidelines for introducing a market economy in the USSR, with reservations voiced concerning tactical measures to implement economic reform.

Gennadi Kiselev, a communist Deputy, urged the government to prioritise measures of social protection of working people during the transition to the market.

He noted that the satiation of the consumer market should be viewed as a cornerstone of economic reform along with greater freedom for the producer and greater independence for the union republics.

Yuri Kalmykov, Chairman of the Parliamentary Legislation Committee, said that he disagreed with the provision stipulating that legal control over the market would be exercised by union republics alone.

"Joint authority of the union and the republics must serve as the basis for the legal regulation of the market," he said, "and the guidelines should say so."

Kalmykov proposed adopting at union level in the next few months a package of major regulatory enactments, including the fundamentals of civil legislation, laws on labour, social protection of citizens, credit and accounting relations, and fundamentals of anti-monopoly legislation, and laws of consumer protection and foreign economic activity.

(Continued on page 357)

Primakov meets Hurd

YEVGENI PRIMAKOV, a member of the Presidential Council and President Gorbachev's special envoy, had a meeting in London on October 20 with British Foreign Secretary Douglas Hurd to discuss the Gulf crisis.

Primakov told TASS that he reaffirmed the Soviet Union's "unconditional commitment to the implementation of the Security Council Resolutions" during the meeting, but pointed out that the USSR would seek to prevent a military conflict in the Gulf.

A British Foreign Office spokesman told TASS that the sides had a "very full exchange of views" during their one-hour meeting and that Primakov briefed Hurd on his talks with Iraqi President Saddam Hussein and subsequent consultations in Rome, Paris and Washington. □

IN THIS ISSUE

- Soviet Premier says government ready to implement programme p354
- President Gorbachev meets US Defence Secretary p333
- Gorbachev meets Prime Minister of Luxembourg p356
- Izvestia publishes new Soviet market programme p357
- What worries the Soviet Foreign Minister? p358
- Working for a market based economy: The external aspect p359

Soviet Premier says government ready to implement programme

"THE Soviet Government is prepared to carry out the programme of transition to a market economy and the 'tough and unpopular measures' it envisages," Nikolai Ryzhkov, Chairman of the USSR Council of Ministers, said in Moscow on October 19.

Taking the floor in the USSR Supreme Soviet in the course of the discussion of the *Guidelines for Stabilising the Economy and Introducing Market Relations*, submitted by President Gorbachev, Ryzhkov admitted that the implementation of these measures "would not bring glory to those who fulfil them." But the government is prepared for this, because it "realises that the future of our people depends on it. To dodge responsibility today would mean to create additional difficulties and trigger an unpredictable political situation," he stressed.

The Soviet Premier described the situation in the country as "extraordinary". "The country has approached the line beyond which it would

be plunged into socio-economic chaos and complete disintegration of political and state structures. The system of power is practically paralysed, and I dare say this, because I myself belong to this system," Ryzhkov said.

He called for "concerted efforts to take concrete steps" and "to discard political and other ambitions. Those who today oppose social concord and who fan up passions, are actually gambling with the fate of our people for the sake of their own personal ambitions," Ryzhkov stressed. But "if change turns into chaos," he said, "violence becomes very possible."

Ryzhkov said the fulfilment of the economic stabilisation plan depended on the "complete and undelayed consolidation of executive power, clearcut distribution of functions between the executive and legislative bodies," and steadfast observance of laws.

The Soviet Premier declared his readiness to "discuss once again the structure of the government, to set up special bodies typical for market economy and to invite young efficient people to the new organs." □

Top economist on Gorbachev's new economic plan

THE President's new economic plan will give republics a chance to gear their reforms to local conditions, Academician Abel Aganbegyan told a joint session of a number of parliamentary commissions and committees in Moscow on October 18.

He was commenting on the document which was turned over to deputies on Tuesday, October 16 for discussion.

"The President is the main author of the document. He himself worked on it for several days and every point was discussed and coordinated with him," emphasised Aganbegyan, one of the leading economists involved in drawing up the blueprint.

The document synthesises everything valuable from the two programmes which were prepared by the government and by the Shatalin-Yavlinsky group, discussed by the Parliament and turned down in September.

One of the main peculiarities of the new plan is the urgency of measures to curb prices and incomes, Aganbegyan said.

Following the revival of finances, credit-lending and monetary systems, which will take three to six months and upon curbing price rises, it will then be possible to move on to liberalising prices, he said.

The course of the reform, Aganbegyan explained, is not amenable to exact reckoning owing to a multitude of unknown variables: the degree of efficiency of decisions taken by federal and republican agencies, the foreign credit situation, and so on. This is why the entire period covered by the programme - 18 months to two years - has been divided into four phases with no specific timeframe set.

The new economic plan envisages approximately the same measures as those set out in the previous programmes, aiming to normalise the consumer market: a rise in interest rates, loans for the future purchase of goods that are now in short supply, an increase in the sale of housing and various kinds of resources to the population. The social policy chapter has been enlarged considerably, Aganbegyan said.

The right to private ownership is firmly recognised in the privatisation chapter alongside with various collective forms of ownership, he said.

Republican lawmakers will independently determine the nature and rate of privatisation. The same applies to land reform; republican

authorities must decide whether to introduce private ownership or not.

A thesis about raising the role of the Council of the Federation (an advisory body to the President, including the leaders of all republics) is a new feature, Aganbegyan said.

The council will be in charge of elaborating coordinated decisions and implementing them through all-union and republican agencies. The government agreed with the need to set up an inter-republican economic committee as a working body at the Council of the Federation.

A new structure and functions of federal executive authority will be decided upon during the conclusion of a union treaty, Aganbegyan said. But prior to that, the structure and composition of the Soviet Government will be renewed with due account of the need to ensure the representation of republics in federal executive bodies.

Academician Aganbegyan's remarks at the joint session of parliamentary committees and commissions were followed by a debate.

During the session Aganbegyan answered deputies' questions concerning the details as to how the submitted plan would be implemented.

Commenting at their request on Russian Federation President Boris Yeltsin's speech on October 16, Aganbegyan disagreed with Yeltsin on a number of issues.

Aganbegyan believes that Yeltsin's speech pursued political ends. "He would definitely have delivered the speech regardless of the programme we submitted," Aganbegyan said.

Yeltsin predicted an early collapse of the President's plan for the transition to a market economy. Aganbegyan responded that if Yeltsin was correct, it "would be the collapse of republican programmes," since it is precisely the republics that have yet to work out their own programmes for the transition to a market economy on the basis of the guidelines suggested by the President.

Aganbegyan believes that the Russian Federation's 500-day programme can be implemented within the framework of the President-suggested guidelines but "it is in need of certain adjustments in view of the fact that life corrects the authors of the programme." If the 500-day programme suffers a fiasco, these guidelines will not be to blame, Aganbegyan said.

He also stated that Yeltsin's speech damaged the country economically. "Every such speech robs us of several billion dollars worth of loans," he said. □

Soviet Cabinet discusses the 1991 Plan

THE major guidelines for the 1991 State Plan and budget were considered at a meeting of the Presidium of the USSR Council of Ministers on October 18. The meeting was attended by prime ministers and government officials from all union republics.

A constructive discussion was held of ways to stabilise the country's economic situation and solve complex economic problems under conditions of the transition to market relations.

The Presidium meeting was told that the preparation of next year's plan and budget will be considerably affected by the greater independence of union republics, the development of direct horizontal links between them, as well as such new factors as new enterprise taxes and pricing and changes in credit-and-finance policy.

Participants agreed that only concerted efforts and stronger integration links could help overcome negative processes in the economy and create favourable conditions for the transfer to the market.

Mutually acceptable solutions were found for most issues under discussion, including supplies of foodstuffs, medicines and other essentials.

It was stressed that despite all economic difficulties, the earlier approved social plans must be fulfilled unconditionally. The Presidium reaffirmed the need to give high priority to housing construction and ensure the required supplies of material and machinery for the purpose.

The discussion then centred around the situation with currency in the country and the elaboration of new approaches towards the formation, distribution and rational use of currency reserves with due account taken of the interests of enterprises, republics and the country as a whole. Preference was given to purchasing raw and other materials for the light, food and medical industries.

It was deemed advisable to create a federal-republican currency committee composed of the USSR Prime Minister and the premiers of the union republics.

The Presidium also considered price formation, finance-and-credit problems and a way to reach a balance between people's income and spending.

Special attention was given to active measures to reduce the federal and republican budget deficits.

Summing up the results of the discussion, Prime Minister Nikolai Ryzhkov stressed the importance of preserving and developing economic links between republics, searching for new forms of their organisation and creating a single all-union market.

The Presidium identified the range of tasks to be accomplished through the concerted efforts by central economic agencies and union republics in order to finalise the 1991 plan and budget proposals. □

From a Woman's Viewpoint

Novosti correspondent Yelena BOGATYKH interviews ZOYA KRYLOVA, member of the Committee of the USSR Supreme Soviet on Women and the Protection of the Family, Maternity and Childhood, and Editor-in-Chief of the magazine *Rabotnitsa*.

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President Gorbachev meets US Defence Secretary

ON October 17 President Mikhail Gorbachev received US Defence Secretary Richard Cheney.

Cheney conveyed greetings from US President George Bush on the awarding of the Nobel Peace Prize to President Gorbachev.

Gorbachev said he would prefer not to take personal credit for the great changes that had taken place in the Soviet Union. He said the Soviet people took up this cause together and it has already led to radical changes in the world.

The changes have resulted to a great extent to the improvement of relations between the Soviet Union and the United States, Gorbachev said. He said great heights had been reached, and they allow one to see far ahead. The new trend has its own history. It has passed through serious trials and it has been tested on the Gulf crisis, Gorbachev said.

Gorbachev asked Cheney to tell the US President of his steadfast adherence to the Helsinki Agreements. The Soviet leadership will firmly follow the general line expressed in UN Security Council resolutions and use every possibility to search for ways out of the crisis. He said the latest events reminded one that it is necessary to settle the conflict in the Middle East as a whole.

Gorbachev said he was satisfied with the fact that ways have been found to sign an agreement on the results of the Vienna talks and to an agreement on 50 per cent cuts in strategic offensive weapons.

The unusual openness in contacts on military issues and the understanding of existing realities in the two countries' military activities suggest that, after signing these agreements, it will be possible to tackle deep cuts in military budgets, reductions in naval arms, the production of nuclear arms, ban on their tests and military

conversion.

The understanding that a war between the Soviet Union and the United States is impossible and should never break out should grow from being philosophical speculation to the practical sphere. In order to move to a new world order it is important that good relations between the two countries develop.

"We value the understanding by US President Bush and some other Americans of the importance of what the Soviet Union is going through. We judge not only by words but by deeds," Gorbachev said.

Taking into account the existing relations between the presidents, Gorbachev informed Cheney of the decisions to be taken to stabilise the situation in the country and the strengthening of power at all levels in order to protect perestroika, ensure the country's democratic development and do everything necessary for its economic revival in conditions of a new state formation — a union of sovereign states.

Gorbachev said history has one peculiarity in addition to others — everything incidental will be forgotten, but the main feature will remain. "We are optimists and we believe we will succeed," Gorbachev said.

On behalf of the US President, Cheney said the United States was interested in a stable, prosperous and democratic Soviet Union.

Shevardnadze meets Cheney

On the same day Soviet Foreign Minister Eduard Shevardnadze met Richard Cheney.

The ministers highly assessed the positive changes in Soviet-US relations and the international climate as a whole in the recent years.

The changes allow the United States to revise its long-term strategy and military planning,

Cheney said. He went on to say the direction of the old US strategy, when the building and deployment of the US Army was carried out in accordance with preparations for a global conflict against the Soviet Union, will change.

He said a considerable reduction in US military presence in Europe have already begun. The US military budget is expected to be slashed by 180 billion US dollars in the next five years, and the US Armed Forces are to be reduced by 20 to 25 per cent, Cheney said.

The ministers discussed military strategic problems, which, they believe, deserve attention on the part of the Soviet and US sides and other members of the international community.

They discussed the defence sufficiency concept, ways to establish a broad dialogue on the problems of strategic stability, regional security, the formation of security structures at the United Nations, the establishment of order in the international arms trade, problems of creation of new kinds of weapons and proliferation of most up-to-date weapons.

They discussed the Gulf crisis, noting that it is important that the Soviet Union and the United States proceed from common grounds at the UN Security Council. □

Anglo-Soviet trade commission session

by Pavel Ovchinnikov, TASS

THE 17th session of the permanent inter-governmental Anglo-Soviet Commission on Scientific, Technical, Trade and Economic Co-operation ended its work in London on October 18.

The session examined the state of and prospects for economic, industrial and scientific co-operation and discussed economic changes in the Soviet Union and Britain's possibilities in promoting reforms in the USSR.

The commission examined mutual settlements, foreign investments in the Soviet economy, joint ventures and co-operation in agriculture, public health, the power industry and conversion.

The heads of the delegations, Konstantin Katushev, Soviet Minister for Foreign Economic Relations, and Timothy Sainsbury, British Minister of State for Trade and Industry, signed a joint protocol on the results of the session.

It notes a growth in trade turnover between the two countries which totalled 3.2 billion roubles in 1989. The growth was achieved thanks to the export of oil and timber and the import of grain, industrial equipment, medicines and technology.

The two delegations welcomed progress in training of Soviet managers at British business schools, companies, banks and other organisations. The sides stressed the importance of holding educational seminars on management in the USSR.

The document expresses concern over the deteriorating state of the Soviet economy, including arrears in payment by Soviet organisations for goods delivered by British suppliers.

The British delegation stressed that this caused serious financial difficulties for many British companies, especially small and medium ones.

The Soviet side assured their British counterparts that the USSR Bank for Foreign Economic Operations will continue payments under its obligations and will pay for the contracts carried out.

It is planned to hold another session of the commission in Leningrad in 1991. □

Soviet Government urges nuclear-free Baltic

SOVIET Deputy Foreign Minister Yuli Kvitsinsky on October 18 met the ambassadors of Denmark, Norway, Sweden, Finland, Poland and Germany:

The attention of the ambassadors was drawn to President Gorbachev's statement of October 26, 1989 in the Finlandia Palace, Helsinki. The statement said the Soviet Union had made a decision concerning its nuclear forces in the Baltic Sea and had begun the unilateral elimination of some types of sea-based nuclear arms in the region.

The Soviet Union pledged to scrap all the nuclear ballistic missile carrying submarines, dubbed by Western military observers 'Golf', that were deployed in the region.

On October 15, 1990, Soviet Foreign Minister Eduard Shevardnadze told the Soviet Parliament that the Soviet Union had kept its promise.

Now the Soviet Union is making a major new peace initiative aimed at further strengthening stability in Europe. The ambassadors invited to the conversation were handed a note by the USSR Foreign Ministry which said:

The Soviet Union gives up the deployment in peacetime of nuclear arms on Soviet vessels and combat aircraft in the Baltic Sea and in the airspace above the Baltic on a permanent or a temporary basis.

This step by the Soviet Union creates practical prerequisites of a military, material and political nature for granting nuclear-free status to the Baltic Sea.

As a practical step in this direction, we propose that nuclear-weapon possessing and Baltic countries pledge not to deploy nuclear weapons on the sea floor and in the bedrock of the sea within the boundaries of territorial and inland waters and ban, without exception, all visits to the Baltic Sea of nuclear weapon-carrying ships and submarines and flights of nuclear arms-carrying aircraft above the Baltic Sea.

For the purpose of considering questions related to the working out of effective guarantees of the Baltic Sea's nuclear-free status, the Soviet Union is prepared to start respective negotiations with other nuclear powers and Baltic states.

These negotiations should lead to an agreement on the verification of the implementation of the accords concerning the Baltic Sea's non-nuclear status.

We believe that the granting of the nuclear-free status to the Baltic Sea should be accompanied by carrying out other measures to strengthen strategic stability in the Baltic Sea, including greater openness and predictability of the naval activity.

The Soviet Union proposes holding the necessary consultations by experts to prepare the negotiations.

During the conversation, it was stressed that the Soviet Union's new unilateral step was made possible as a result of deep changes taking place on our continent and in the entire range of East-West relations and the development of the process of actual disarmament. The Soviet Union hopes that its new initiative will meet with an adequate reaction on the part of our partners, Kvitsinsky said. □

Gorbachev meets Prime Minister of Luxembourg

PRESIDENT Mikhail Gorbachev met Prime Minister Jacques Santer of Luxembourg in the Kremlin on October 22. This meeting is another positive example of relations between the two countries, which are invariably marked by mutual respect and goodwill.

Santer congratulated Gorbachev on being awarded the Nobel Peace Prize. He said that this award attested to the "recognition by the world community of the Soviet leader's role in affirming new principles in international relations."

Gorbachev thanked Santer for the congratulations and said that he thought the Nobel committee's decision reflects "understanding on what perestroika means to our country and the whole world."

Gorbachev and Santer focused their attention on European problems. They noted with satisfaction that relations between Europeans have entered a new epoch.

This epoch is characterised by the growing interdependence of states and their desire to work out jointly structures corresponding to

changes in politics, security and other areas.

The two leaders agreed that November's Paris summit of countries participating in the Conference for Security and Co-operation in Europe should give a powerful impetus to these positive changes.

Gorbachev emphasised the "huge historical experience accumulated by Europeans, the intellectual and moral potential of Europe and its influence on the renewal of world politics."

He spoke about the "energetic measures, being taken now, to stabilise the economy and ensure the transition to a market economy."

He said these measures "are opening broad vistas for international co-operation."

Santer supported this idea. He said Luxembourg, which will chair the European communities from next January, was interested in promoting co-operation between the Soviet Union and the EC.

Gorbachev and Santer pointed to the favourable development of Soviet-Luxembourg relations.

Santer invited Gorbachev to visit Luxembourg. The invitation was accepted with gratitude. □

Pravda on changes in Europe

"MIKHAIL GORBACHEV'S visits to France and Spain in the next few days will serve to promote the noble ideals of European perestroika. The summit meeting in Paris in the middle of November, during which participants in the Conference on Security and Co-operation discuss the structure and future of a new Europe, will also serve this aim," analyst Anatoli Karpychev writes in *Pravda* on October 21.

Europe is no longer divided into two military alliances. Its political map has been changed first by developments in East European countries and then by German unification.

"Curiously, we lost our allies and the West lost an enemy it has been protecting itself from for half a century with a massive military build-up," Karpychev goes on.

"Europe is being cleansed from weapons of

mass destruction, military bases, the fear of a 'red' invasion, from the ideology of hatred, the enemy image and other vestiges of the stand-off.

"We can say that a European perestroika has begun. Interesting ideas are being put forward and concrete proposals discussed in Paris, London, Prague and Moscow," he says.

"Europe is going through a political renaissance. The cold war has ended, as well as the bitter confrontation between East and West - NATO and the Warsaw Treaty have outlived themselves. What will they be replaced with? Especially now, given German unification and a new orientation in Eastern Europe?"

"We are witnessing great changes. Our country and other states need guarantees to ensure their security and vital interests," Karpychev says. □

Soviet defence plants to boost civilian production

"THE Soviet Union has suggested that all countries submit their defence industry conversion plans to the United Nations Organisation and that the issue be considered at the General

Assembly," Mikhail Moiseyev, Chief of the Soviet General Staff, told TASS on October 22.

Under a draft state programme for defence industry conversion, intended for the period ending in 1995, 420 defence plants in the Soviet Union will reduce defence-related production by from five to 100 per cent, Moiseyev said.

By 1995, civilian products will account for more than 60 per cent of defence plants' output, he added.

Moiseyev believes that these estimates are corroborated by the following figures: the share of civilian goods in defence plants' output was 40 per cent in 1989 and 46 per cent this year. "As we see it, an increase is obvious," Moiseyev said.

He added that three former defence establishments previously made fuses for shells, cartridges for small arms and small anti-submarine ships, have now been fully converted to the production civilian goods.

"We are prepared to familiarise ourselves with US experience. What I saw there during my recent visit inspires hopes for fruitful co-operation in the field of defence industry conversion," Moiseyev said. □

Soviet President urges miners to co-operate with Government

PRESIDENT Gorbachev called on Soviet miners "at this crucial time to display goodwill and support government measures to normalise the situation in the country, switch the economy to a market system and improve living standards."

In his message to delegates to the Second Congress of Miners, which opened in Donetsk on October 22, Gorbachev expressed hope that the miners' congress would "support these measures in a business-like manner and help strengthen economic ties and discipline."

"Radical changes for the better can be achieved only by pooling efforts by the government and miners. Dialogue and co-operation, rather than confrontation, are the keys to success," Gorbachev's appeal says.

The President expressed confidence that the miners' congress would focus on a "joint search for a way out of the crisis."

"Today we must normalise the political, social and economic situation and establish an atmosphere of civil peace and accord."

Gorbachev thanked miners for his invitation to the congress but regretted that he could not accept due to "important things now being considered in Moscow." □

Kalmykia proclaims sovereignty

A regular session of the Supreme Soviet of the Kalmyk Autonomous Republic adopted a declaration of the sovereignty of Kalmykia on October 18. Its official name will now be the Kalmyk Soviet Socialist Republic integrated in the Russian Federation.

From now on the republic will be a part of the Russian Federation and the Soviet Union. It proclaims the land, natural resources, mineral deposits, the whole of the scientific, technical and economic potential of Kalmykia to be the exclusive property of its people. The relations with the Soviet Union and the Russian Federation, as well as with other republics, will be based on the union treaty, a treaty with the Russian Federation and other regions of the country.

The supremacy of the Kalmyk constitution and legislation has been proclaimed on the territory of the republic. □

The Wonders and Problems of Lake BAIKAL

Lake Baikal is often called "the gem of Siberia" or "the Siberian Sea". It has a surface area of 31,500 square kilometres. Baikal is the world's deepest lake (1,620 metres), containing one-fifth of the fresh water on the surface of the planet.

Lake Baikal's water is almost as pure as distilled water. There are some 1,800 species of wildlife and vegetation living in the lake, and three-quarters of them are not to be found anywhere else in the world.

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***Izvestia* publishes new Soviet market programme**

THE newspaper *Izvestia* on October 17 published the text of the *Basic Directions to Stabilise the National Economy and Transfer to a Market Economy*, signed by President Gorbachev on October 16. It is based on the government and Shatalin-Yavlinsky economic reform programmes.

The document proceeds from the fact that the implementation of the programme will be in four stages and take 18 months to two years to complete. Each republic will have the possibility of implementing its own variant of reform, depending on local conditions.

The first stage provides for stabilising measures: improving finances and monetary circulation by reducing the budget deficit and controlling monetary emission, as well as by normalising the consumer market.

The second stage involves a gradual transition to market prices, with state prices remaining for approximately 33 per cent of all goods – fuel and raw materials. At the same time the process of 'destatisation' and privatisation will be extended.

The third stage aims to stabilise the market with the emphasis laid on the formation of a

housing market, wage reform and further price liberalisation.

Finally, at the fourth stage, paramount significance is attached to encouraging competition.

The predominance of free prices, combined with the balanced budget, will create prerequisites for achieving the domestic convertibility of the rouble. All Soviet and foreign companies will be able to freely sell and buy foreign currency at the market rate. This will open the way for the influx of foreign investment.

In the next few days it is planned to announce free economic activity for various organisations and citizens and the inadmissibility of interference by state management authorities in the work of enterprises, irrespective of the form of ownership.

On land reform, the document leaves republican legislators to decide whether to allow workers of collective and state farms to pull out with a plot and a share of commonly-owned assets.

Under the document, the state will control prices only on a narrow band of first necessity goods by 1992. Indexation will be introduced to protect wage earners against inflation. Special programmes will be drafted to support old people, the disabled, orphans and families with many children. Local government councils will set up a special job service and direct employment benefits. □

Organised crime now main focus of Soviet police

"RADICALLY revised legislation and efficient law enforcement mechanisms are needed to successfully combat crime," Veniamin Yakovlev, Soviet Justice Minister, told a press conference in Moscow on October 22 on problems of strengthening law and order and ensuring the safety of Soviet citizens. Also taking part were Vadim Bakatin, Soviet Interior Minister, Vladimir Kryuchkov, KGB chief, Alexei Vasilyev, Assistant Procurator-General and Alexander Filatov, Vice-Chairman of the USSR Supreme Court.

Bakatin noted that a draft national anti-crime programme had been submitted for approval to the Soviet Parliament and would be discussed this December. Turning to the fulfilment of the Presidential decree to disarm illegal formations in the country, Bakatin said that the desire of

sovereign republics to have their own legalised armed forces and even armies seriously aggravated the situation and was not in keeping with the Presidential decree.

He said the Soviet Interior Ministry had asked the President to consider the possibility of setting up limited contingents in the republics to discharge internal functions.

The press conference focused on problems of combatting organised crime. According to KGB chief Vladimir Kryuchkov, it has now "assumed quite unexpected dimensions". "Particularly alarming," he said, "was the fact that criminal groups, connected with the 'shadow economy' made use of the situation and flaws in legislation 'to seize bits of power here and there'. Their actions are extremely cruel and sadistic." Kryuchkov said organised crime was becoming the main concern of law enforcement bodies.

Assistant Procurator-General Vasilyev said that more than 920 criminal gangs were arrested in the country over the past six months.

Asked what measures were taken by law enforcement bodies to stop the dismissal of Communist Party members from schools in the Western Ukraine, for instance, he said that the procurator's office had submitted protests on each case to the republican Supreme Soviet, which are now being considered. "The procurator's office will be even more resolute and tough in solving such problems in future," Vasilyev stressed.

Vasilyev described the destruction and sacrifice of monuments to Soviet Government and state leaders as "typical criminal acts." According to the Interior Ministry, 76 monuments have already been subjected to such acts of vandalism. Proceedings were instituted in 74 cases. However, the situation is complicated by the fact that decisions to destroy monuments are often passed by local government bodies.

"Such decisions are unlawful," he said, "and they violate the laws in force. To cut short such processes, the procurators must institute proceedings on all known cases, must investigate them and charge everybody who commits acts that are punishable by law," he said. □

Primakov's visit to West "very useful" Presidential spokesman says

PRESIDENTIAL press secretary Vitali Ignatenko described as "very useful" talks held in a number of Western capitals last week by special presidential envoy Yevgeni Primakov.

Ignatenko told a briefing on October 22 that Primakov ended his mission, which involved searching for a political situation to the Gulf crisis, on Sunday afternoon, October 21.

"In the opinion of our side, the talks in Rome, Paris, Washington and London were all very useful," the press secretary said.

"Presidential Council member Yevgeni Primakov repeated the Soviet leadership's known position of principle. Discussions concerned ways to implement United Nations resolutions and political measures to ensure that the conflict in the region ends without a war, without slaughter, without bloodshed.

"It was stressed that the resolution of the Gulf crisis should, in the final analysis, provide an important impetus to the tackling of other problems in the region.

"The Soviet leadership will always favour the quest for a peaceful outcome to the Gulf crisis," Ignatenko said.

He said that Primakov is now preparing "a detailed report for the President," which will be discussed on Tuesday, October 30 in the presence of Foreign Minister Eduard Shevardnadze and the heads of other interested agencies.

"Some measures will apparently be worked out to move quickly, more confidently and more precisely in this direction," Ignatenko said. □

GUIDELINES

(Continued from page 353)

Russia's Deputy Prime Minister Gennadi Filshin said that "during the past three months, federal government agencies have launched several massive attacks against the rights and sovereignties approved by the Russian Parliament and the Congress of Russian People's Deputies."

He went on to say the Russian Parliament and government have been patient in their numerous attempts to consolidate with federal agencies. However, he said, "the opportunity for consolidation on the basis of the '500 day' plan, supported by the President and 14 republics was wasted."

The radical inter-regional group, on whose behalf Deputy Sergei Ryabchenko spoke, made its support for the President's plan conditional on two points: the guidelines should be viewed as a framework recommended to union republics for compiling their own market plans, and the federal government should be reformed as "a government of popular confidence, of republican confidence."

Soviet Prime Minister Nikolai Ryzhkov took part in the discussion. He reaffirmed his readiness to reshuffle the government once again and create special agencies appropriate for a market economy. □

RELATIONS

Problems and Prospects

Inter-ethnic conflicts in the Caucasus, the Baltic region and Central Asia have put perestroika to a serious test. A top item on the agenda is to further develop Soviet statehood on the basis of Lenin's principles of nationalities policy.

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What worries the Soviet Foreign Minister?

EDUARD SHEVARDNAZDE'S VIEWS ON RELATIONSHIPS BETWEEN THE HOME AND FOREIGN POLICIES OF THE USSR

By Alexander Ignatov, *Novosti* political analyst:

FOR his 14th trip abroad this year, Soviet Foreign Minister Eduard Shevardnadze traditionally invited a small group of journalists, including a *Novosti* special correspondent. He flew to Vienna to meet French Foreign Minister Rolland Dumas to discuss a new important document – a treaty on concord and co-operation between the two countries.

On our flight home, the minister talked with the journalists, touching upon many subjects, apart from Soviet-French relations.

The question of the correlation of the foreign policy of the USSR and its constituent republics is very topical in the present situation. "I can't say how things will develop, especially with regard to the union treaty," answered Shevardnadze, "but what the Soviet Foreign Ministry is doing jointly with its European partners with regard to the creation of new European structures concerns all republics. This work establishes civilised relations and removes military confrontation."

Asked what worries him most of all, the minister said: "Internal instability. However, in all cases," he added, "the Foreign Ministry of the USSR will take into consideration the interests of the republics, seek solutions and, if necessary, enter into a debate."

"Just imagine," he continued, "if our foreign policy is not met with understanding in the West. What additional difficulties it would create today, we are already receiving favourable credits from Germany, Italy and other countries, and I am sure we shall get them from Spain in the course of the coming official state visit, as well as from France. Practically all countries support us. We have become civilised in the sphere of foreign policy, our partners do not fear us any longer. Incidentally, the Nobel Prize conferred on Mikhail Gorbachev is also an act confirming the confidence we have won, a kind of recognition of the new thinking."

Shevardnadze emphasised once more: "I think that Europe is interested in stability in the Soviet Union, in the predictability of its new foreign policy which proceeds from the importance of the balance of forces. All our initiatives confirm this line. Hence the readiness for partnership and co-operation with us. France, for instance, is aware of the nature of confrontations in the USSR. We've just discussed the situation with Rolland Dumas. Yet, France has signed a treaty of ten years duration with us, with the option to extend it. The French minister called it a document with an eye to the future."

One of the journalists put a question about the relations between diplomats and the Army, obviously alluding to the recent criticism of Soviet foreign policy by military men at the Supreme Soviet of the USSR.

"We have normal relations," replied Shevardnadze, "talks are a complicated process, especially when they concern defence and security, this very sensitive sphere. It is difficult for us to part with our arms and military potential. But when we are conducting talks, we have also to take into consideration others' interests. Previously we practised the art of diplomacy in a clumsy fashion. It is a difficult process for us to formulate our positions. We constantly argue our points, and this makes it possible for us to avoid many mistakes and gives more guarantees."

"They say we are reducing our arms, while the West does not. On October 17, I talked with US Secretary of Defence Richard Cheney," remarked the Minister. He told me that the Pentagon have asked for 18 billion dollars less this coming year. In the next four to five years, the USA plans to cut its military budget by at least 180 billion. Moreover, the USA will reduce its army in Europe by 40,000 men. The same processes are going on in France and Britain. Let me remind you that Germany has agreed to have only 370,000 troops.

"These are not individual actions," Shevardnadze pointed out. "This is a process which takes into consideration also our interests and possibilities. Let's say the Soviet Union has 5,150 planes," he continued, "in this situation, it does not matter whether we have 100 planes less or more. I think it is better to agree to have 100 planes less and be able to come to an agreement on a treaty on arms reductions." □

TASS COMMENT

Cambodian Settlement

By Vladimir Bogachev, *TASS* military analyst:

REPRESENTATIVES of the five permanent members of the UN Security Council on October 16 adopted in New York a joint statement on Cambodia, calling for a resumption of the Paris peace conference before the end of 1990 to work out an agreement on the comprehensive settlement in that country.

Delegates from Britain, China, the Soviet Union, the United States and France called on all Cambodian sides to try and overcome differences concerning the Supreme National Council President, noting that they would favour the election of Prince Norodom Sihanouk to the post.

On Monday, October 15, the United Nations General Assembly adopted a resolution greeting the agreement reached by all Cambodian sides to create the Supreme National Council as the

sole legitimate body of supreme authority in the country.

For the first time in years, the Security Council permanent members and the UN General Assembly arrived at a single position on Cambodia and adopted a decision that was not confrontational in nature.

Nevertheless, consensus on Cambodia at an international level, it appears is not enough to establish a durable peace in the country.

During the past few weeks, certain headway in arranging disputes around the Supreme National Council formation was made inside Cambodia. After protracted manoeuvring, Norodom Sihanouk eventually agreed to become the 13th supreme council member, in addition to six members of the present Phnom Penh Government members and six members of the opposition. Differences among the participants in the September meeting in Jakarta remained only concerning ways of compensating for the appearance of the 13th council member, without disturbing the balance of the country's interests.

Sihanouk agreed to the introduction of a representative of the Hun Sen Government as a 14th member but refused to allow him to become deputy chairman.

There is hope that organisational problems, connected with membership of the Supreme Council, will eventually be solved on a mutually acceptable basis.

The success of the peaceful settlement in Cambodia can be hindered by the resumption of military action. There are forces in the country which are interested in continued bloodshed. There is every reason to believe that the resumption of military operations by Pol Pot thugs, for instance, will make a conference in Paris impossible. This is why it is so important for all sides to redouble efforts to prevent this development. □

Soviet delegation and CEC leaders hold talks in Brussels

THE broadening of co-operation between the European communities and the Soviet Union were discussed during talks in Brussels between Soviet and EC delegations.

Stepan Sitaryan, Soviet Deputy Prime Minister and Chairman of the government's State Foreign Economic Commission, led the Soviet side, while Jacques Delors, President of the Commission of European Communities (CED) headed the EC team. CEC members who are in charge of foreign and economic relations and the power industry also took part in the talks which ended on Monday, October 22.

The sides discussed prospects for the development of contacts between them in the light of the Soviet Parliament's endorsement of a market economy plan and the CEC-prepared report on the state of the Soviet economy and possibilities to render aid to the Soviet Union.

The report will be submitted for consideration to the heads of state and government of common market countries at their meeting at the end of October. □

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Working for a market-based economy: the external aspect

By Ivan Ivanov, a Deputy Chairman of the State External Economic Commission of the USSR Council of Ministers.

THE Soviet Union's choice in favour of an open economy means, in practice, a gradual narrowing of the difference between domestic and world prices, the opening-up of the Soviet market to foreign goods and capital, efforts to achieve world standards in technological and structural policy, and inclusion of elements of risk in economic activities, with the Soviet rouble steadily moving toward convertibility.

In the context of an open economy, external economic ties, which the presidential programme for transition to the market treats in a separate section, will serve as a catalyst of market reforms as well as undergoing radical change themselves. The Soviet Union will cease to be a country with fully state-controlled foreign trade. The principal players on the economic scene will be enterprises free to choose between the domestic and foreign market. Hard currency earnings will go directly to their own accounts. Associations that have to do with external economic relations will no longer be controlled by ministries or other government departments, becoming independent agents in trade and other economic operations.

To enable actual self-financing in internal and external operations, a new commercial exchange rate of the rouble will be introduced from November 1 this year – 1.8 roubles to the US dollar. This will narrow the difference between the indices of domestic and world prices, making 90 per cent of Soviet industrial exports cost-effective and allowing withdrawal of subsidies on foreign trade. As of January 1, 1991, all banks controlled by republics and some commercial banks will be permitted to deal in hard currency. Businesses will be able to borrow abroad on their own, with their assets as collateral.

Finally, a foreign exchange market will be set up in the country to promote producer's financial independence, with hard currency to be traded at market exchange rates. Persons planning to emigrate will also be allowed to buy currency there.

So, a basically new and favourable environment is being created for external economic activities. Yet new arrangements are not excluding state regulation, which will rely on generally accepted economic and legal methods. Furthermore, in the context of a renewed federation, some of the regulatory functions will devolved to individual republics.

During the period of transition to a market economy, the centre will remain responsible for repaying the country's foreign debt and supplying resource to the enterprises staying in the public sector. Republics' own hard currency funds, in which autonomous administrative divisions and local authorities will share, will be used for the economic and social development of the corresponding unions. In 1991 the central hard currency reserves will need to be larger than usual, with 12.5 billion roubles of the expected 20 billion roubles in hard currency earnings to be spent on debt repayment. However, as early as 1992 these payments will be about half as much. The USSR Supreme Soviet will set a ceiling on external borrowing.

The customs policy will be overhauled. Tariffs will be fixed along GATT principles to replace the existing system of export and import taxes. Licensing of exports will be reduced to a minimum and will be left almost entirely to the

discretion of individual republics. The country's new banking system will carry out regular adjustment of the exchange rate of the rouble.

Furthermore, the jurisdiction of union republics will be widened. They will be represented in a new central government body supervising external economic relations and will become fully-fledged managers of the banking system. This means their direct involvement in development and modification of all basic economic standards in the field – customs tariffs, bank interest rates, the size of hard currency funds, taxes, and so on. It will be up to republics themselves to control the internal market of foreign exchange, to issue most of the licences, to attract foreign loans, to register joint ventures, and to sign international agreements that are not contrary to the Soviet Union's international commitments. These factors will combine to allow the continued unity of customs territory, the monetary system, investment policy and the fundamentals of the country's external economic policy as major elements of a single economic space in

a renewed federation of Soviet republics.

The ways of attracting foreign capital will be diversified. In addition to joint ventures, there will be businesses under full foreign control, lease of natural resources and portfolio investments in equities, which gives foreign businessmen the opportunity to participate, among other things, in the process of denationalisation.

Already, provisions of the presidential plan's section on the external economy have been backed by practical action. Notably, talks on financial assistance for the reform effort from the IMF, the European communities, Italy, France, South Korea and other countries are nearly completion. No doubt, this contrasts with the bold rhetoric on this subject in individual republics and their attempts to attract foreign business on the collateral of their own ambitions.

The approval of the presidential plan by an overwhelming parliamentary majority opens the way for comprehensive and quick action on its external economic priorities. □

Foreign investors essential for market reform

EARLY in October the USSR Supreme Soviet's commission for legislation considered a draft law of the USSR on foreign investments.

During the debate amendments preventing the nationalisation of foreign property in the USSR, providing for concessions in repatriation of profits of enterprises involving foreign capital, and envisaging payment of Soviet citizens in hard currency were introduced.

The commission decided that the amended draft law will be forwarded to the parliament this session. The basic idea underlying the draft law on foreign investments is that foreign firms and nationals will be allowed to own enterprises in the USSR jointly with Soviet juridical persons or individually as a company in full control of foreign investors. It will also allow foreign investment in the banking sector and in joint stock societies.

All members of the commission agreed that foreign investors will need firm guarantees that their property would not be nationalised in the USSR.

The commission decided on the expediency of a legal norm to prevent the nationalisation of foreign property without compensation and on forwarding this proposal to the USSR Supreme Soviet's session.

In expert view, the commission's efforts are the first attempt to formulate legal guarantees preventing nationalisation. The amendment would replace the dubious provision in the original draft allowing for nationalisation of foreign investments only "when such measures are taken for the public good."

Another proposal advanced during the debate is for a share of hard currency profits due to foreign investors to be repatriated without any hindrance.

Moreover, a similar proposal was voiced with respect to a share of rouble profits due to foreign investors. The revised version of the draft said that the Soviet Government and the governments of the republics "could, in some instances, negotiate exchanges of rouble profits due to foreign investors into foreign currency at the expense of federal or republican hard currency funds, respectively."

According to *Commerzant's* analysts, should

the Soviet Parliament adopt the amended version, repatriation of rouble profits at the expense of federal and republican hard currency funds will hardly be practised on a large scale. The reason behind this forecast is the heavy foreign debt burden of the Soviet Union which is not likely to change in the near future. Therefore, potential investors in the Soviet economy can hardly expect repatriation of rouble profits.

Most observers have praised a section in the draft law, approved by the commission, which stipulates that "corporate inputs in hard currency, including profit sharing between the participants, shall be ensured only at the expense of corporate foreign exchange revenues"

Nikolai Denisenko, a senior expert of the State Foreign Economic Commission under the USSR Council of Ministers who co-authored the

(Continued on next page)

My Biography

In this booklet, Soviet journalists Viktor Belitsky, Pyotr Polozhevets, Alexander Afanasyev, Anatoli Strunin, Alla Belyakova, Alexander Kabakov and Vitali Tretyakov, with the active assistance of the book's compiler Lina Lebedeva, acquaint the reader with pen portraits of Svyatoslav Fyodorov, Shalva Amonashvili, Victor Borsert, Alexander Kiselyev, Natalya Bekhtereva, Raimonds Pauls and Boris Yeltsin.

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Gulf crisis: What will happen tomorrow?

By V. Naumkin, Doctor of History

THE Iraqi aggression against Kuwait demonstrated the Arab countries' inability to settle conflicts by means of the available political instruments, and shattered all hopes for the unification of the Arabs. The Arab world has split up, while the Arab League, the Arab version of the UN, has turned out to be much less efficient than the world community. The new crisis appears to be no easier than the one caused by the defeat in the war with Israel in 1967.

Over the past two months, the world has not brought settlement any nearer, while the prospect of war, approaching with a fatal speed, is killing the enthusiasm of its possible participants. Assessing the causes of the current crisis, analysts point to the festering territorial disputes between the Arab states, to the yawning gap between the living standards of different Arab countries and between groups within them, and to the continuing Arab-Israeli confrontation.

There is disagreement among political observers on who seriously the Iraqi President has miscalculated his Kuwait adventure. In all appearances, Saddam Hussein was well aware of the consequences, but his forecast was not without errors. His own reaction, as well as the degree of Iraq's preparedness for sanctions, attest to the fact that the blockade did not take the Iraqi leader by surprise. He expected the West and part of the Arab and Muslim states to take tough retaliatory measures. But, undoubtedly, he did hope that the Soviet Union would back Iraq. He was evidently preparing the ground in the north, planning to settle the conflict with Iran on a basis acceptable for the latter. There is

(Continued from previous page)

draft, testified to the commission that this could be seen as legalising hard currency payments to Soviet employees. He added that the State Foreign Economic Commission would have no problem with such an interpretation though he predicts a formidable resistance from several federal government departments.

If Soviets employed by companies with foreign investment are paid in hard currency, the influx of foreign capital will expand, much of which may be invested in the consumer goods industry, *Commerzants* analysts predict.

The parliamentary commission also overwhelmingly agreed to lop off the section of the draft law forcing joint ventures to fold if their actual business does not match the business outlined in their founding documents. The commission pointed out that the section in its present form makes for excessive regimentation in the sphere of foreign investment and may scare away the potential investors.

The new law is called upon to facilitate the influx of foreign capital in the Soviet economy, since the Soviet Union cannot implement the market reform drawing only on its own means.

In the three years since the reform in the foreign economic area got underway (1987-1990), foreign investment in the Soviet economy has topped 2.9 billion dollars.

According to experts of the State Foreign Economic Commission, economic restructuring in the USSR calls for at least eight to 16 billion dollars' worth of annual injections. □

(*Commerzants* No. 38. In full.)

even word in the Arab political quarters that Iraq and Iran had nearly agreed in advance to divide spheres of influence in the region. If Saddam Hussein did reckon on Teheran's and Moscow's loyalty, it becomes clear that he viewed the channel of uninterrupted supplies from the north as a means of withstanding any blockade.

The joint statement, made shortly after the aggression by the Soviet and American foreign ministers was, obviously, an unexpected thing for him. The Gulf events became the touchstone which tested the two super powers' declarations concerning their readiness to co-operate in settling world problems, while their common position helped other members of the UN to arrive at practically unanimous conclusions and estimates.

The determination with which the US interfered, taking the side of Saudi Arabia, did not surprise anyone, either. Saddam Hussein hastened to use the arrival of the US force to instigate the Arabs' discontent over the American presence in the vicinity of the Islamic sacred places. In his estimation, such discontent, under definite circumstances, was to overshadow protests against the annexation of Kuwait. It looks like such moods are growing, slightly increasing the prospect of the conflict assuming a different, North-South, character. The West is still trying to guess what else Saddam Hussein can do to change the orientation of the conflict. *New York Times* observer R. Satloff described the arrival of Hussein's army on the Jordanian borders as a reserve route, all of which can provoke both the US and Israel to retaliatory measures. Without a single shot being fired and without even crossing the border, R. Satloff believes, the Iraqi leader will transform his conflict with most of the world nations into an Arab-Israeli conflict. By using two major American interests in the Middle East - Israel's security and the protection of the oil reserves - Saddam Hussein will move the focus of the crisis away from Kuwait, complicating it for all the sides involved. The massacre in Jerusalem and the recent carnage of Palestinians by the Israeli military only added oil to the fire.

In the Arab world, opinions of the conflict differ. The "hawks" are for an immediate military solution. Many argue, however, that the Iraqi Army is not so efficient as it is trying to present itself, although it is the world's fourth biggest army. And yet, most of the Arabs are well aware of the possible outlays, connected with the use of the American Armed Forces for curbing the aggressor. The US, too, shows increasing caution about such a decision. Its unilateral actions can unite the Arab world or at least a considerable part of it. Therefore, in order to secure the rear, the US Administration has decided to act within the UN framework and wait till a corresponding decision is taken, and subsequently put the American troops under international command.

There is also another point of view: there will be no need to resort to military methods, since the world community is carrying out such serious sanctions which Iraq will not be able to last out, as was pointed out by Chief of the General Staff of the Soviet Armed Forces Mikhail Moiseyev during his visit to the USA. Is that so? Are the sanctions so effective? We cannot answer this question today, and there are serious apprehensions that Iraq has succeeded in making a rather big breach in the blockade. At any rate, American experts believe that from six to 10 months will be needed to make Saddam Hussein capitulate.

The second approach of the supporters of the compromise solution is based on the recognition

of the realities and gives Hussein a chance of a political settlement. The growing number of states, including Western ones (France, for example), are calling for "leaving the door open" to the Iraqi leader.

There are grounds for hope that the mediatory efforts of the Soviet leadership, being made taking into account the fate of Soviet citizens in Iraq, will be able to play a positive role. After his meeting with Saddam Hussein in Baghdad, Yevgeni Primakov, a member of the USSR Presidential Council, said he viewed more optimistically the chances of a political settlement. I believe that Hussein's statement that there are no political reasons for artificially restraining the exit of Soviet specialists testifies to the existence of prospects in the matter of contracts, however difficult they may be. It may be supposed that during Primakov's visit to Baghdad, the issues concerning the fate of all foreign citizens in Iraq were also touched upon from the humanitarian point of view.

The USSR, unconditionally condemning Iraq's aggression from the very beginning and demanding its withdrawal from Kuwait, firmly stands for a peaceful solution of the conflict. This view is shared by an overwhelming majority of states; including Arab countries. However, today, one can see certain shades in the approaches of different sides to that point from which the process of settling the conflict can start. Some stand for the complete return to the situation that existed before August 2; others stand for the withdrawal of Iraqi troops without specifying what will remain in Kuwait and how its fate will be decided. Many observers in the Arab East express the opinion that the restoration of the *status quo* that existed before August 2 is unrealistic and is rather symbolic. After a number of countries have made proposals that free elections should be held in Kuwait, it is supposed that the population of that country will hardly support the return of monarchy, no matter how liberal it may be.

The public in the Arab countries is perhaps unanimous that after the crisis nobody in the Middle East will be able to live as they did before. The states of the Arabian Peninsula and the Persian Gulf will have to be renewed. But what will be the Arab world after the crisis? Will the objective necessity to consolidate take the upper hand over the process of devastating disintegration? It is difficult to answer these questions, but we would like to be optimists.

(*Pravda*, October 13. In full.)

Soviet Government adopts resolution on current situation

ON October 22 the Soviet Parliament issued a resolution *On the Current International Situation and Efforts by the Soviet Foreign Ministry to Ensure the Country's Interests and Security*.

The resolution was adopted after the discussion of a recent report by Soviet Foreign Minister Eduard Shevardnadze to Parliament.

The resolution instructs the government and the Foreign Ministry to "continue to consistently implement the policy based on principles of new thinking and the active protection of the Soviet Union's security and interest."

Parliamentary committees and agencies concerned have been proposed to hold closed-door hearings on security problems, the state of Soviet-Afghan relations and efforts to achieve an early settlement of the Afghan issue.

Results of these hearings are planned to be discussed in Parliament. □