

Originally Processed With FOIA(s):
2012-3130-S

FOIA Number:
2012-3130-S

FOIA MARKER

**This is not a textual record. This is used as an
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Library Staff.**

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files

OA/ID Number: CF00182
Folder ID Number: CF00182-004

Folder Title:
[Resumes to Blackwill - NSC Staff Positions] [3]

Stack:	Row:	Section:	Shelf:	Position:
V	0	0	0	0

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	Condoleeza Rice to Brent Scowcroft, Re: Changes in the Directorate for European and Soviet Affairs. (1 pp.)	03/26/90	(b)(1)	
01b. Memo	Brent Scowcroft to All Senior Directors, Re: Policy toward the Soviet Union. (1 pp.)	n.d.	(b)(1)	✓
02. Memo	RDB [Robert D. Blackwill] to Brent Scowcroft, Re: Filling the Final Position in my Directorate. (1 pp.)	n.d.	(b)(1)	
03a. Memo	From Robert D. Blackwill, Re: Candidate for NSC staff position. (1 pp.)	02/15/89	(b)(6)	
03b. Letter	To Robert D. Blackwill, Re: Candidate for NSC staff position. (1 pp.)	02/13/89	(b)(6)	
03c. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
03d. Letter	To Brent Scowcroft, Re: Candidate for NSC staff position. (1 pp.)	01/23/89	(b)(6)	
03e. Letter	To Brent Scowcroft, Re: Candidate for NSC staff position. (1 pp.)	11/30/88	(b)(6)	
04a. Resume	Re: Candidate for NSC staff position. (3 pp.)	n.d.	(b)(6)	

Page 1 of 3

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Pinksheet Number: RML8153
OA/ID Number: CF00182-004
Date Closed: 1/22/2013
FOIA/Sys Case #: 2012-3130-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
04b. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
04c. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
04d. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
04e. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
05a. Memo	Barry Lowenkron to G. Philip Hughes, Re: Response to Letter [from candidate for NSC staff position]. (1 pp.)	06/07/89	(b)(6)	
05b. Letter	G. Philip Hughes to candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
05c. Letter	Candidate or NSC staff position to Brent Scowcroft. (2 pp.)	05/22/89	(b)(6)	
05d. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
06a. Letter	Max M. Kampelman to Robert Blackwill, Re: Candidate for NSC staff position. (1 pp.)	06/21/89	(b)(6)	
06b. Resume	Re: Candidate for NSC staff position. (2 pp.)	n.d.	(b)(6)	
06c. Vitae	Re: Candidate for NSC staff position. (2 pp.)	n.d.	(b)(6)	
07a. Letter	To Robert D. Blackwill, Re: Re: Candidate for NSC staff position. (1 pp.)	02/01/89	(b)(6)	

Page 2 of 3

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08. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	
09a. Letter	William E. Griffith to Robert Blackwill, Re: Candidate for NSC staff position. (1 pp.)	01/26/89	(b)(6)	
09b. Resume	Re: Candidate for NSC staff position. (3 pp.)	n.d.	(b)(6)	
09c. Resume	Re: Candidate for NSC staff position. (3 pp.)	n.d.	(b)(6)	

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NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

March 26, 1990

APNSA Has Seen

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT BLACKWILL (B)

FROM: CONDOLEEZZA RICE CR

SUBJECT: Changes in the Directorate for European and Soviet Affairs

We understand that you are now ready to finalize Condi's promotion to Special Assistant to the President. We hope this will send an important signal within the NSC staff and in the interagency process of the importance that you attach to U.S.-Soviet relations and raise the visibility of the Soviet portfolio at this critical time. Condi now expects to be able to devote more time to the integration of the elements of our Soviet policy both within the NSC staff and in the interagency process. As you agreed, we are working to find a second Soviet specialist to take over the all the routine work on the Soviet account and to help Bob Hutchings out on the tremendous load that he is carrying on Eastern Europe. We will make the necessary adjustments within the Directorate and with the Secretariat so that the addition of a new officer indeed allows Condi to make the best use of her time.

As we agreed, this change in Condi's title will result in no structural changes in the Directorate. Bob would continue to have overall responsibility for Europe and the Soviet Union as Senior Director and Condi will continue to assist him on key European issues when appropriate, for instance, representing the NSC staff at the official level Two Plus Four talks.

We recommend that you send a memorandum to all Senior Directors noting the need for tight coordination on all issues concerning the Soviet Union in this period and asking that memoranda on subjects with a Soviet dimension be joint. Such a memorandum is at Tab I for your review.

Announcement
done
verbally
no memo.
Tg

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

MEMORANDUM FOR ALL SENIOR DIRECTORS

FROM: BRENT SCOWCROFT

SUBJECT: Policy toward the Soviet Union

Events in Lithuania serve to remind us of the complexity and delicacy of the situation in the Soviet Union at this time. The Soviet Union figures prominently in many aspects of U.S. foreign policy and the range of contacts and issues affecting U.S.-Soviet relations is extremely broad. As the Soviet domestic situation worsens and as the Summit approaches, I want to make sure that we maintain the tightest possible coordination on all aspects of our policy toward the Soviet Union. With this objective in mind, I wish to announce that Condi Rice has been made a Special Assistant to the President.

I want to ask that you coordinate fully any issue involving the Soviet Union with Condi and Bob Blackwill. To that end, all memoranda to me and to the President on issues relating to the Soviet Union should be sent forward as joint memoranda with the European and Soviet Directorate. The internal structure of the European Directorate remains unchanged. Bob Blackwill continues to have overall responsibility for Europe and the Soviet Union as Senior Director.

DECLASSIFIED
PER NSC WAIVER, 1500 2021-02
By SS NARA, Date 9/5/25

~~CONFIDENTIAL~~

Declassify on: OADR

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memo	RDB [Robert D. Blackwill] to Brent Scowcroft, Re: Filling the Final Position in my Directorate. (1 pp.)	n.d.	(b)(1)	

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Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

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AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

(b)(1) National security classified information [(b)(1) of the FOIA]
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 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

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03a. Memo	From Robert D. Blackwill, Re: Candidate for NSC staff position. (1 pp.)	02/15/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

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Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03b. Letter	To Robert D. Blackwill, Re: Candidate for NSC staff position. (1 pp.)	02/13/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

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 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
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PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

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 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03c. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
03d. Letter	To Brent Scowcroft, Re: Candidate for NSC staff position. (1 pp.)	01/23/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

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03e. Letter	To Brent Scowcroft, Re: Candidate for NSC staff position. (1 pp.)	11/30/88	(b)(6)	

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HARVARD UNIVERSITY
JOHN F. KENNEDY SCHOOL OF GOVERNMENT

JUDY F. KUGEL
DIRECTOR
(617) 495-1161

OFFICE OF CAREER SERVICES
SEVENTY-NINE JOHN F. KENNEDY STREET
CAMBRIDGE, MASSACHUSETTS 02138

March 22, 1989



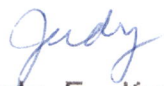
Robert Blackwill
Room 368
Old Executive Office Building
The White House
Washington, DC 20500

Dear Bob:

Enclosed are resumes for those selected as PMI's who are interested in international security. Let me know if you'd like additional information.

Best of everything in your new appointment. And thanks for helping our students.

Sincerely,


Judy F. Kugel

JFK/mm
Enclosures
cc: Cal Mosley

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(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04c. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04d. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04e. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05a. Memo	Barry Lowenkron to G. Philip Hughes, Re: Response to Letter [from candidate for NSC staff position]. (1 pp.)	06/07/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05b. Letter	G. Philip Hughes to candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013 **OA/ID Number:** CF00182-004

FOIA/SYS Case #: 2012-3130-S

Appeal Case #:

Re-review Case #:

Appeal Disposition:

P-2/P-5 Review Case #:

Disposition Date:

AR Case #:

MR Case #:

AR Disposition:

MR Disposition:

AR Disposition Date:

MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05c. Letter	Candidate or NSC staff position to Brent Scowcroft. (2 pp.)	05/22/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05d. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06a. Letter	Max M. Kampelman to Robert Blackwill, Re: Candidate for NSC staff position. (1 pp.)	06/21/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06b. Resume	Re: Candidate for NSC staff position. (2 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
 (b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
 (b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
 (b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
 (b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
 (b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06c. Vitae	Re: Candidate for NSC staff position. (2 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07a. Letter	To Robert D. Blackwill, Re: Re: Candidate for NSC staff position. (1 pp.)	02/01/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
07b. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

About-Face

Soviets Now Hail China As a Source of Ideas For Reviving Socialism

But Free-Market Pragmatism
Used by Chinese May Not
Fit Russian Economy Well

No Hong Kong Role Model

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—When Deng Xiaoping first began opening up China's distressed, ideology-bound economy to market forces, the orthodox theorists of the Soviet Union sneered at the effort as "Maoism without Mao." There was certainly nothing to be learned, they added, from policies that undermined such sacred Marxist notions as egalitarianism.

That was eight years ago, and before Mikhail Gorbachev's accession. By now it is clear that Mr. Deng's moves toward free enterprise and away from central planning, though not uniformly successful, have invigorated China's economy and improved the lives of millions, especially peasants. And suddenly Moscow is sounding a different theme.

For the first time, a broad spectrum of Soviet China-watchers are saying openly that the economic path taken by the Chinese plays a role—in fact a central role—in determining the policies of Mr. Gorbachev as he strives to stir his own nation from its economic torpor.

'Our Laboratory'

"What is taking place in China is vitally important for us," says Evgenii Konovalov, head of the China department at Moscow's Far East Institute, a think tank that until recently waged a war of words on Mr. Deng's pragmatic policies. "We now look at their reforms as if it were our own personal business."

China, explains Sergei Stepanov of the Institute of Economics of the World Socialist System, "is the only other socialist country where the economy and the task of reform are on a similar scale with ours. For our purposes, that makes China our main foreign reform laboratory."

The West takes an interest in all this, and not simply because of the implications for Soviet economic strength. One Chinese strategy has been to make more resources available for consumer goods by slashing military spending and production. To the extent the Soviets might aspire to ease their own military-spending burden, their interest in arms control might grow.

Many Contrasts

Yet major differences exist in the Chinese and Soviet economic situations, differences that call into question the transferability of Mr. Deng's methods. China remains a poor, backward developing country, while the Soviet Union long ago entered the ranks of industrialized nations. The Soviet economy isn't on the verge of collapse, as China's was when Mr. Deng began his reforms. China is freer to experiment, not seeing itself as the repository of Marxist orthodoxy and the model for other socialist nations. And there are differences in attitudes and economic traditions.

In his two-year effort to revitalize the Soviet economy, Mr. Gorbachev has taken such steps as letting the state pay more for higher-quality goods, permitting a construction company in Leningrad to go bankrupt, and opening doors to foreign joint ventures. This spring and summer his controversial program has culminated in several formal laws and decrees.

A law on individual activity legalizes small-scale businesses in 29 fields, including plumbing, carpentry, dressmaking, auto repair, tutoring and toy making, though the businesses can't hire workers. Second, a new law governing the 48,000 state enterprises aims to give local managers certain authority as of next January to make their own production plans, choose suppliers and even set prices. Third, a set of 11 decrees diminishes, accordingly, the extensive authority of central planners. The way is cleared for such new practices as wholesale trade and letting enterprises borrow money instead of relying on state grants.

Not There Yet

Heated debate has accompanied these moves, and the resistance by bureaucrats who would lose power is far from over. Many industrial workers may be expected to resist another move, which would link wages more closely with performance.

China's liberalization is far more advanced. Its most notable success has been in agriculture, where Mr. Deng, in effect, abolished the collectives and returned to a family-farm system. Food production and farmers' incomes have soared, though there have been complaints of farmers neglecting important crops such as grain for more lucrative ones like vegetables.

Though socialism still predominates in China, its cities now teem with private food stands, restaurants, repair stalls and many other tiny businesses. Factories, rather than pitch all their earnings into a common pot, may retain a percentage of profits, from which factory managers can raise salaries or invest in plant modernization as they see fit. Despite a backlash this year against this capitalist onrush, in the form of a drive against the taint of "bourgeois liberalization," China is holding to its path.

What gave the Chinese reforms their impetus was the sorry situation when Mr. Deng came to power in 1978. There was a sense of urgency for change, created by Mao's disastrous Great Leap Forward of

About-Face: Soviets Now Look to China as a Source Of Fresh Ideas for Invigorating Its Troubled Economy

Continued From First Page

1958-1960, his traumatic Cultural Revolution, other abrupt shifts, periodic famines and decades of stagnant farm and industrial production. As a result, the bureaucracy hasn't been a fatal obstacle to change. "It suffered during the Cultural Revolution" too, writes Marshall Goldman of Harvard's Russian Research Center, and "generally agreed with the need for far-reaching economic reform."

In the Soviet Union, where communism has ruled twice as long as in China, the bureaucracy could still torpedo Mr. Gorbachev's plans. It is estimated to number an astounding 18 million people, a privileged elite whose power and perks depend on the status quo. "We are much more entrenched in conservatism than the Chinese were when they started to change," says Fyodor Buriatsky, a Soviet journalist believed to be a Gorbachev confidant.

Another complication for the Soviets is ideology. Mr. Deng openly concedes that some of what Marx and Lenin said has become outdated, but Mr. Gorbachev, mindful of the Soviet role as mentor to the world's communists, must carefully justify every move by citing the founders, blaming failures on misapplication of their precepts.

Guns for Butter

Besides its role as ideological touchstone, the Soviet Union's superpower military status rules out some of Mr. Deng's tactics. He could unilaterally demobilize a million Chinese soldiers and slash military spending to 4.3% of gross national product (by Western estimates), converting much of the armaments industry to building trucks, TV sets and washing machines.

The Soviet Union, with far greater military commitments around the world, can do no such thing. Western experts estimate it may spend as much as 14% of its GNP on defense, or about the percentage China was spending under Mao.

Mr. Deng's changes in agriculture provide the greatest inspiration for the Soviets. This is an area in which Mr. Gorbachev has so far achieved few changes, though he did manage to cut the farm bureaucracy by merging ministries, and collective farms now get fewer orders from absent managers on what to plant, where and when.

Like their Chinese counterparts, Soviet state and collective farmers now can sell above-plan harvests, up to 30% of production, in city markets and cooperative stores at free-market (that is, higher) prices. But such changes don't come anywhere near China's wholesale dismantling of collectivization.

Extended Family

Soviet experts interviewed now support wide application of some form of family farming. Some U.S. observers, though, say it may not work so well for them. "The extended family in China is an enduring and powerful force," Mr. Goldman writes in his book "Gorbachev's Challenge." But in Russia, feudal estates and later collective and state farms "have been virtually the only form of land tenure."

Nor is there strong popular pressure to do away with the current Soviet farm system. In China, regional food shortages and starvation had driven peasants and party officials to desperation by 1978. "On top of that there were a hundred million (Chinese) peasants who had absolutely no work, and some solution had to be thought up quickly," says Andrei Ostrovsky, a sociologist at the Far East Institute.

In contrast to China's reliance on manual labor, Soviet agriculture is highly mechanized. A wholesale switch to family farming would negate the economies of scale the Soviets have paid heavily to achieve over 50 years.

Despite this, "the fast and successful development of agriculture through broad application of the family-responsibility system presents special interest to us," says Leonid Abalkin, director of Moscow's Institute of Economics and a close aide to Mr. Gorbachev. A form of family farming is being tried in the northern Caucasus, Kazakhstan, Uzbekistan, some mountainous regions of Georgia and other areas.

Consumer Goods

China's successes in satisfying consumer demands draw increasing interest among Soviet officials. Mr. Abalkin says with a hint of envy: "On the scale of such a gigantic country as China, they have succeeded at resolving the not-simple problem of satisfying the market for consumer goods on the basis of cooperatives and individual labor activity."

Mr. Deng has gone so far as to authorize a vast return of free enterprise and private ownership of the means of production in small trade, manufacturing, and service industries. A few Chinese companies have even issued shares, and there are sleepy stock markets to trade them, though this obviously capitalist trend has been strictly limited in China.

The Soviets aren't about to try stock ownership. And even the most liberal Soviet economists can't rationalize private ownership of the means of production.

The Soviet Union has seen nothing like the explosion of private commercial effort occurring in China, where colorful signs for private shops and restaurants now reach into the shabbiest back alleys. China now has about 20 million private entrepreneurs, recent statistics indicate; peasants in rural areas man about a half-million cooperatives, engaging 4.5 million employees in industry, construction, transportation, catering and other services.

Free enterprise exists in the Soviet Union in the form of individual labor and cooperative enterprises. Recent legislation let individuals open shops, service businesses and restaurants.

But Western officials estimate the new laws have added no more than 200,000 people to the 100,000 already involved in small-scale enterprise under earlier legislation. Facilities and raw materials haven't been made available for cooperatives, and the fields in which moonlighting is now legal are already occupied by legions of black-marketeers.

There are other reasons for the Russians' slow start. One is that the Soviet Union doesn't have a Hong Kong on its border to serve as an example, nor a huge community of entrepreneurial countrymen abroad wanting to invest. Hong Kong is also a source of Chinese-speaking management, technical and marketing skill.

A less tangible factor is attitude. Far fewer Russians than Chinese have a taste for the risks of business, Soviet analysts say. "In Russia the entrepreneurial spirit was never developed," Mr. Burlatsky says. "Just last century we were still a nation of serfs, and then the new system (Soviet Communism) was set up in a way that smothered all individual initiative."

Lyudmila Kondratova, a China specialist at the Institute of Economics of the World Socialist System, agrees: "The attitude of most Russians is, 'We're getting our slice of bread, why take risks and start a business?'"

Those who do feel entrepreneurial often face another obstacle. Says Mr. Burlatsky: "The main problem is social jealousy on the part of bureaucrats. Local officials can't bear the idea of people making several times their salaries."

The Soviet press is full of stories about local party or state officials who, instead of facilitating free enterprise, quash every initiative. Officials in Krasnoyarsk shut down a cooperative of taxi drivers on the ground that its members were earning too much money.

Special Economic Zones

In heavier industries, the Chinese, as they move toward less reliance on state planning and more on market forces and initiative, simply do what seems to work. For the Soviets, every change in industrial policy is an enormous strain, carried out only against recalcitrant opposition.

In joint ventures with capitalist countries, the Chinese, while managing to frustrate plenty of foreigners with their rules on taxation, supply of local workers and other matters, nevertheless have gone much further than the Soviets. The Russians don't plan anything like China's special economic zones and 14 coastal cities where thousands of joint ventures with foreign capitalists are under way.

"Our officials are being much more

selective," says Mr. Kononov of the Far East Institute. "Still, we can't help admire what they have done in China. It's a remarkably varied use of foreign capital."

If any free-trade zones are opened in the Soviet Union, he says, they will be in areas near China. One possibility is Blagoveshchensk, across the border from Aihui in Manchuria. "It could be a textile mill where we would employ Chinese workers," he says.

While Mr. Gorbachev pushed through legislation permitting joint ventures, Western analysts say the idea still faces powerful opposition. "It isn't just the xenophobia; the Chinese are also xenophobic," says one West German banker with long experience here. "The image of thousands of capitalist businessmen crawling around Russia is strongly distasteful to them. Superpowers don't beg their political competitors to show them the way to modernization. They're very proud of their industry even if it's a mess."

Red Medicine

Soviet Health System, Despite Early Claims, Is Riddled by Failures

As Life Expectancy Falls Off
And a Crisis Is Perceived,
Gorbachev Seeks Changes

Stories of Bribes in Hospitals

By MARK D'ANASTASIO
Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Soviet central planners set norms for health care just as they do for everything else.

At the neighborhood clinics where 80% of all patients are treated, the norms call for physicians to see eight patients an hour. That is 7.5 minutes per visit, and Soviet studies show that five minutes of each visit is spent on paper work, a task complicated by chronic short supplies of pre-printed forms and the absence of computers.

"Our heads spin from rushing," says Pavel, the silver-haired chief of traumatology at a Moscow clinic, who, like some other Russians interviewed for this article, won't give his last name. A dozen patients with splints and slings sit in a dark corridor awaiting their turn at a 1950s-vintage fluoroscope. "We wind up seeing the same patients several times over," the doctor goes on, "when one thorough examination could have solved the problem if we had the time."

Drumbeating Halted

Soviet officials have long touted their supposedly free and comprehensive health care—along with full employment, low-cost housing and cheap basic-food prices—as evidence of the superiority of the Soviet way. But now Mikhail Gorbachev has ordered an end to the drumbeating. Shattering past pretenses, he is exposing the health system's failures and has put an overhaul of health care at the top of his agenda. A plan for the overhaul, with emphasis on preventive medicine, was announced Friday.

"Revolutionary transformations are necessary in the field of health care," Yevgeny Chazov said during a televised speech last March shortly after Mr. Gorbachev appointed him to lead the overhaul as the minister of health. "The number of unsolved problems that have piled up in this sphere is larger than in any other sphere of Soviet society."

Western specialists say that what Dr. Chazov, a 58-year-old cardiologist, calls "unsolved problems" actually amount to a health crisis on a scale unknown in any other industrialized country.

Life expectancy has declined, and mortality rates both for infants and for the total population are climbing. "No other industrialized country in the postwar period has experienced a sustained falloff in even one of these indicators," says Murray Feshbach, an expert on the Soviet Union at the Georgetown University Center for Population Research, in Washington.

Hospital Deficiencies

Reporter Leonid Zagalsky of Literaturnaya Gazeta recently wrote that many health facilities appeared to be "from the previous century." For example, 35% of rural hospitals have no hot water, 27% no sewer systems, 17% no running water.

Dr. Chazov has disclosed that 12 of 33 maternity hospitals in Moscow don't meet basic sanitation standards. Pravda reports that negligence and lack of sanitation in many maternity wards have led to a rise in toxemia and septicemia infections, killing so many mothers and infants that administrators have been trying to hide their institutions' mortality rates. Chronic shortages of sterile bandages and the virtual absence of disposable needles, Pravda says, have made hospital infections commonplace.

"We escaped with our lives," says 13-year-old Anna, who gave birth to her first son at Moscow's Maternity Hospital No. 25. "There's no attention to hygiene. They write the infants' names on their arms with a ball-point and swaddle them in unsanitary cloth because there's a diaper shortage."

For years, Soviet officials kept the damning health statistics secret while boasting of world records for total number of doctors (1.2 million) and number of hospital beds (3.3 million). Now, as he has in other fields, Mr. Gorbachev has unleashed *glasnost*—best translated as publicity, or public airing—to wake up medical bureaucrats.

Life-Expectancy Figures

After a 14-year hiatus, data for male life expectancy were published this year by the U.S.S.R. Central Statistical Board. They show a drop from a peak of 66 years in the mid-1960s to 62 years in 1979. (Last year male life expectancy regained its 1972 level of 64 years, compared with 71.5 years for the U.S.) Female life expectancy also declined—but to a lesser extent. Soviet death rates rose from a 1964 low of 6.9 per 1,000 to 10.6 in 1985. The infant-mortality rate, kept secret since 1974, recently was revealed to have risen from a low of 22.9 in 1971 to 26.0 in 1985. That is 2.5 times higher than the U.S. rate and ranks the U.S.S.R. 50th in the world, just behind Barbados.

Soviet commentators are bemoaning problems like the direct financial losses that result from the population's declining health. The 18th Congress of Soviet Trade Unions said improved medical services could save the state 90 billion rubles (\$145 billion) a year in lost man-hours. Soviet military leaders are concerned about a less healthy manpower pool. Pravda complains that 12 of every 100 conscripts can't

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Red Medicine: The Soviet Health System Is Marked By Failures and Deficiencies; an Overhaul Is Ordered

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pass medical induction exams.

What's more, Soviet sources say that many who are inducted aren't fit for service. Moscow's Gagarin District military medical board had approved 18-year-old David for service in the tank forces when his mother, Nelli, put her foot down. "They didn't care about the curve in his spine and a hump on his back that have been worsening for three years," she says, displaying a diagnosis from Moscow Clinical Hospital No. 59. Shortly before David was to leave for boot camp, doctors found he has spinal osteochondrosis, a bone disease. He now wears a 30-pound canvas-and-steel corset.

Opening the health crisis to public view has made it easier for Mr. Gorbachev's supporters to remove incompetents and other opponents of change. In response to a request for official comment on health statistics, the Health Ministry's chief spokesman, Andrei Petukhov, indicated that a broad purge was in progress in the medical bureaucracy. "New people are being assigned to all the problems you mention," he said. "No one is ready to talk to the press."

Minister Sacked

Dr. Chazov's predecessor as health minister, Sergei Burenkov, was sacked last March. Two deputy health ministers and the president of the Academy of Medical Sciences soon followed. Officially Mr. Burenkov was fired for failing to institute a promised industrywide wage increase. Medical personnel are among the nation's lowest-paid workers. They are also among the most corrupt, as they have turned to padding their earnings by extorting bribes from patients and by black-marketeering in scarce medicines.

Echoing a common complaint about the "free" health service, Yelena, a 38-year-old English teacher who recently had a kidney operation, says, "A ruble to the nurse gets you a thermometer, another gets the sheets changed, another the toilet cleaned." Sipping a cup of tea in her book-filled one-room flat, she adds: "The surgeon gets a hundred or you'll just wait in bed. The chief physician already took a hundred to admit you to a clean ward."

Dr. Chazov said in his holiday speech on Soviet Medical Workers' Day last June 21, "Our health system must be remade anew." This, he said, will mean shifting the industry from quantitative to qualitative norms and freeing physicians from the burdens of useless production targets like patients served per hour and hospital beds built per year.

Experiment Planned

As a first step, an experiment will begin Jan. 1 in Leningrad and three other places to develop new criteria. Patients taking part in the experiment will be able to choose their own doctors. "Naturally, the physician who is deluged with patients—and I hope there will be quite a few such physicians—will have correspondingly greater earnings," Dr. Chazov said during a recent television appearance.

Surgeons and other specialists in the government health system got raises last year to 170 rubles (\$274) a month from 140. Beginning physicians make 110 rubles but will get raises to 140 in November. Against the national average monthly salary of 200 rubles, these salaries don't look good. But the raises are welcome, of course. "The government is showing they care more about us," says Semyon Konilovsky, an ob-

stetrician who teaches at Moscow Medical Institute No. 1 and heads the institute's Konsomol (Communist Youth League) committee. "So we're showing we care more about patients."

However, Soviet doctors aren't rushing to take advantage of another Chazov initiative that would let them increase their earnings: He encourages them to treat patients for pay in their free time. In Moscow's Gagarin District, for one, this hasn't caught on.

"We have a long list of specialists we need to assist in our polyclinics. So far you can count the takers on one hand," says the chief of the district health department, Svetlana Bogolyubskaya. One obstacle is that doctors already routinely practice privately in exchange for unreported gifts—and they would rather continue this illegal trade than register under a new law permitting private labor and pay a 12% tax.

Many doctors don't want to treat any patients, privately or in public clinics. Because of the low pay and poor working conditions, they prefer cushier jobs in the huge health bureaucracy and a network of 333 research institutes. Some 100 of these institutions, Dr. Chazov says, could be closed "perfectly quietly and painlessly and neither public health nor the people would feel their absence."

Oath Was Abolished

A key problem remains the 1917 Bolshevik abolition of the Hippocratic Oath as part of an effort to do away with the "bourgeois" approach of patient-centered medicine.

It wasn't until 1971 that a Soviet doctor's oath was legislated, but it obligates the physician to submit to the state's inter-

est first and the patient's only secondarily. "The state is overwhelmingly focused on the health of the individual as contributor to the economic functions of the country, rather than on the individual per se," Mr. Feshbach of Georgetown has written.

Dr. Chazov recently spoke of the inattentiveness and brusque treatment that have become the hallmark of Soviet medical personnel. What Soviet doctors lack most, the minister said, "is humanity."

But some patients are more equal than others. Far from being one egalitarian system, health care is divided into subsystems providing services of differing quality. A nationwide network of hundreds of clinics serves only elite patients from the Communist Party, the government and other privileged groups such as the military and KGB security police. These clinics siphon off a disproportionate share of resources. So far, Dr. Chazov has said nothing about changing this.

Valery Rutgaizer, the head of the State Planning Commission's social-welfare department, complained in the newspaper *Sovetskaya Kultura* that the quality of care is two to three times higher in the special clinics. "This is the heart of social injustice," he said. While Dr. Chazov is known in the West as a Nobel Peace Prize co-winner (he and an American doctor received the 1985 award on behalf of the International Physicians for the Prevention of Nuclear War), he is known here as the former chief bureaucrat in the organization that maintains the network of special clinics.

A Common Problem

As the Gorbachev administration struggles to improve health care, it must confront one major problem common around the world—a shortage of funds.

According to Western experts, a drop in the share of the Soviet state budget assigned to health, from a high of 6.6% in 1965 to 3.9% for the current year—as the Soviet economy came under increased

strain in the 1960s and 1970s—directly parallels the decline in the nation's health.

Dr. Chazov says plans call for doubling health's share of national spending by the year 2000. In addition, extrabudgetary sources are being considered, such as a state health lottery, government health bonds and direct contributions from the public. But concerned Soviet officials say that no change in financing policy has yet been seen.

Victor Mironenko, the head of the 42-million-member Communist youth organization, recently proposed to a government commission that medical instructors be assigned to all schools to combat what he calls the health and hygiene "illiteracy" of Soviet children. "It's a very sharp and pressing basic problem," he said in an interview in the Kremlin's St. George Hall. "But they answered no to our proposal. They said they just don't have money for everything."

Gorbachev's Pal

Dwayne Andreas Gains An Apparent Position As Kremlin Favorite

Archer-Daniels Chief Offers
Advice on Farm Matters,
May Edge Out Hammer

Chicken Feed and Politicians

DEC 26 1988

By MARK D'ANASTASIO

Staff Reporter of THE BOSTON GLOBE

Mikhail S. Gorbachev was born into a peasant family in southern Russia and, as a teen-ager, worked summers harvesting grain. His agronomy degree helped him become party boss of Stavropol, a major farm region. He rose to the Kremlin's top job after eight years as the national party secretary in charge of agriculture.

Dwayne O. Andreas was born on a Menonite farm in Iowa. In his 20s, he turned around an ailing grain business. After running the nation's largest farm cooperative, he joined Archer-Daniels-Midland Co. Now, ADM is the world's largest processor of farm commodities, and Mr. Andreas is its chairman and chief executive.

So, when these two farm boys first met, in a birch-paneled Kremlin chamber two



Dwayne O. Andreas

years ago, their rapport—grounded in corn, soybeans and fertilizer—was instantaneous. People are wondering whether Mr. Andreas is beginning to edge out Armand Hammer, the chairman of Occidental Petroleum Co., as Moscow's favorite American businessman.

"When we met, it was clear we could talk about agriculture for two hours or 20 hours," says Mr. Andreas, seated in his Decatur, Ill., office beneath a Kremlin etching inscribed by Mr. Gorbachev "in memory of our meeting." Adds the ADM chairman, a short, sprightly 68-year-old with a tanned, square face, "Dr. Hammer is a great man, but he couldn't do that."

"This is a unique and critical relationship that bears watching," says Robert W. Back, a securities analyst with Rodman & Renshaw in Chicago and a Soviet expert. "Agriculture is central to both men and both nations, whatever the political differences. Andreas helps bridge the gap."

A Select Group

Mr. Andreas, adds Harvard lecturer Joseph Funder, "has exactly the huge wealth, influence and knowledge in an American businessman that attracts Soviet leaders."

Mr. Funder should know. His book, "Red Carpet," describes the succession of U.S. businessmen—Dr. Hammer, Cyrus Eaton, W. Averell Harriman, Donald Kendall and David Rockefeller—who "have courted and been courted by the leaders of Soviet communism."

Mr. Andreas's rise into their ranks was sped by two facts: The Soviet Union is one of the world's biggest buyers of farm products, and Mr. Andreas is a prominent merchant from the world's largest producer of farm surpluses. His position was confirmed on Dec. 3, 1984, when he had his first private meeting with Mr. Gorbachev, who then held the top agricultural job in the U.S.S.R. and was three months from succeeding the ailing Konstantin Chernenko as the Soviet leader.

When that first invitation to the Kremlin came, Mr. Andreas had just met with a slew of top Soviet officials and was about to check out of the pre-revolutionary National Hotel near Red Square. His room was the second-floor suite, adorned with 18th-century paintings and an ebony grand piano, where Lenin once lived and where the Kremlin houses its most prized foreign business guests.

Recalling that first 80-minute encounter with Mr. Gorbachev, Mr. Andreas says, "Other officials told me this guy was the big comer, so, of course, I decided to stay." Mr. Andreas adds:

"My feeling is Gorbachev's main interest as a human being is agriculture. He lights up like a Christmas tree when he talks about how to produce more bushels per acre, store it, fumigate it, transport it. And how to raise chickens? When he talks about how to raise more chickens, he's on the edge of his chair, he's excited."

Head of Trade Council

At the time of that 1984 meeting, Mr. Andreas was in Moscow as the chairman of the U.S.-U.S.S.R. Trade and Economic Council, which was set up by the two governments in 1973 to aid bilateral trade and which comprises 260 U.S. companies and 120 Soviet foreign-trade concerns. The elevation of Mr. Andreas to the chairmanship in 1983 reflected the fact that 75% of Soviet-American trade is agricultural.

At the time, Mr. Andreas was continuing his crusade to increase America's farm exports, which were slumping to \$37.8 billion in 1985 from \$43.3 billion in 1981. He considers this his duty to the 200,000 farmers who, through their cooperatives, are ADM shareholders.

"Gorbachev and I go hand and hand since I believe one of his main thrusts is to put more food on the Russian table," Mr. Andreas says. In particular, the Soviet leader is promising more chickens in every pot. "He asked my advice on his plan to boost chicken production from 500 million to three billion a year," Mr. Andreas says, adding: "I told him high-protein soybean

meal for livestock feed is the key and explained the technology we use to produce it." Mr. Andreas also offered ADM's help, proposing to build \$100 million of soybean-processing plants in the Soviet Union in a joint venture.

That proposal, to which the Soviet Union hasn't yet responded, and Mr. Gorbachev's poultry push were at the center of the discussion when the two met again last December. The setting was the Faceted Palace, a majestic, chandeliered Kremlin banquet hall hung with 14th-century icons. Mr. Gorbachev was giving a reception for 400 of America's corporate elite during the trade council's annual meeting, and the heads of more than 20 multinationals were mingling around the tables and feasting on lobster and black caviar. The moment Mr. Gorbachev spied Mr. Andreas, he sped across the polished agate jasper floor, past Dr. Hammer and the others, and asked the grain and oil-seed magnate to sit with him at dinner.

Getting Some Tips

At the narrow table, Soviet Foreign Trade Minister Boris Aristov was on Mr. Gorbachev's right and Prime Minister Nikolai Ryzhkov on his left, with Mr. Andreas seated opposite. "We sat there for an hour and a half, and all he did was talk about how to increase grain and food production," Mr. Andreas recalls. "He said he tried three times to push through a reform to give farmers more acreage for private farming, but the Politburo vetoed him."

"He said he had had a study done of our proposal and scribbled some details on his napkin," Mr. Andreas adds. "I showed him how American poultry production has soared with improvements in livestock feed. He turned to Ryzhkov and Aristov and said, 'You take notes. That's the kind of thing we've got to do here. Let's get going with this.'"

But what attracts the leader of Soviet communism to this pillar of American capitalism is more than just chicken feed. Besides offering agribusiness expertise, Mr. Andreas has bales of influence in Washington. He knows congressional politics as well as he knows Iowa wheat.

He has been an adviser to every U.S. president since Harry Truman. One source close to Mr. Andreas says he meets with President Reagan as often as twice a month, quietly at social affairs "rather than ostentatiously" in the Oval Office. Mr. Andreas headed the President's Commission on International Private Enterprise and is heading his Foundation for the Bicentennial of the U.S. Constitution.

A Power Broker

Having poured hundreds of thousands of dollars into the campaign coffers of candidates from both political parties, Mr. Andreas has become a power broker. He was the principal benefactor of Vice President and Democratic presidential candidate Hubert H. Humphrey and also contributed to Richard Nixon's campaign fund. Only half-jesting, one confidant says, "I've seen senators genuflect in front of him."

Thus, when the ADM chairman and Mr. Gorbachev talk, it is bound to add up to more than just a hill of soybeans. Says Mr. Andreas, "He wanted me to tell him what he could do to satisfy the conservatives and wanted to know who the really power-

ful members of Congress were.

Mr. Andreas mentioned recently retired House Speaker Thomas P. "Tip" O'Neill, with whom Mr. Andreas plays golf, and outgoing Senate Majority Leader Robert Dole, with whom he vacations in Florida. When Mr. O'Neill met Mr. Gorbachev in Moscow four months later, the Soviet leader welcomed him with, "I hear you know my friend Dwayne Andreas."

Mr. Andreas's Washington ties and his frequent visits with foreign leaders, such as West Germany's Helmut Kohl and China's Deng Xiaoping, have earned him a reputation as an international political operative. But that label is rejected by the ADM chairman, who has at one end of his office at ADM's Decatur headquarters a Grant Wood painting of a dozen farmers at Sunday dinner and at the other a big illuminated globe.

Says he, "I spend 70% of my time right in this office, and I've never carried messages to Soviet leaders from our presidents"—an allusion to the 88-year-old Dr. Hammer, who has eagerly acted as a presidential go-between. Being too cozy with the Soviets can give people the wrong idea, an image that Mr. Andreas shuns when he says ADM's Soviet business accounts for "considerably less" than 1% of its total sales (\$5.3 billion in fiscal 1986).

'Totally True-Blue'

James Giffen, a New York merchant banker and president of the trade council, says, "The whole reason he fascinates Gorbachev is that he's so totally true-blue. He's the American ideal incarnate."

But Mr. Andreas, whose Soviet ties began long before the Gorbachev era, has known the feeling of running against the political wind. After his first trip to Moscow in 1952, he tried to persuade the U.S. Commerce Department to approve a sale of government surplus butter to the Soviets in return for Russian gold.

"I was heavily in the vegetable-oil business, and all that cheap butter was costing me money," recalls Mr. Andreas, whom President Eisenhower had advised to "sell the Russians anything they can't shoot back." But the deal flopped, Mr. Andreas says, because of "the climate of the McCarthy era."

In 1959, Nikita Khrushchev toured the American farm belt as the guest of Roswell Garst, a prominent Iowa agribusinessman. The Soviet leader was interested in buying U.S. corn; so he was introduced to Mr. Andreas, then executive vice president of the Farmers Union Grain Terminal, the country's largest farmer-owned cooperative. But feeding the Russians was still off the American political agenda.

"Mr. Andreas's view was when food goes across the border, bombs don't, but that was still not accepted," says John Crystal, Mr. Garst's nephew and the president of Bankers Trust Co. in Coon Rapids, Iowa.

Mr. Andreas was also helpless against the grain embargo that President Carter imposed in January 1980 after the Russians invaded Afghanistan. But later, President

Reagan declared grain sales to the Soviets in the U.S. interest and approved the five-year U.S.-U.S.S.R. Long-Term Grain Agreement in 1983.

Two Years of Reneging

But for two years running, the Soviet Union, for some years the second-largest buyer of U.S. farm products, has reneged on that agreement, refusing to purchase even the minimum specified volumes. And with its own anticipated harvest up and foreign-exchange earnings down, the U.S.S.R. has vanished from the American market. To spur sales, Sen. Dole persuaded President Reagan to offer the Soviets a \$15-a-ton subsidy on wheat selling for \$100 a ton, but the Soviets passed over the offer, which expired Sept. 30.

The grain issue was on the top of Mr. Andreas's agenda during a short visit to Moscow in June. He didn't see Mr. Gorbachev then, but his personal stock clearly had risen. He was permitted to fly into Moscow on ADM's Falcon 500 corporate jet, a privilege granted to only a few Western businessmen.

The next time he sees Mr. Gorbachev may be in Decatur. The Russian has asked to visit ADM's main operations whenever he comes to the U.S. for the proposed summit meeting. "He saw a newspaper picture of President Reagan visiting our corn wet-milling plant," Mr. Andreas says. "It's the biggest in the world, and Gorbachev says he'd like to see it."

Soviet Arrest of U.S. Journalist Shows A Willingness to Skip Reagan Summit

M. D'ANASTASIO

FOREIGN SEP 12 1986
INSIGHT

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

The Kremlin's authorization of the arrest and indictment of an American journalist on charges of espionage, a crime punishable by death, was meant partly to send a stern political message to the U.S.

In addition to trying to force the release of a Soviet spy suspect held in U.S. custody by deciding to jail the American, the Soviet leadership hoped to dramatize its willingness to skip the planned summit rather than meet President Reagan mainly on his own terms.

"It wasn't just an effort to get their man back," said Dmitri Simes, senior associate of the Carnegie Endowment for International Peace. "It was to send a political message of toughness and irritation, to say, 'You can't push us around.'"

The harshness of the Soviet message and the continued incarceration of Nicholas Daniloff, the U.S. News & World Report Moscow correspondent, make it highly improbable that the two sides will manage to restore the mood necessary to hold a summit this year.

The Soviet attitude toward the summit, which has deteriorated steadily in past months, stems from Moscow's inability to gain any significant concessions on central issues, despite a nonstop flurry of diplomatic and propaganda activity. Lately, Soviet spokesmen have been pressing the Kremlin view world-wide, saying "not one bit" of progress has been achieved since the November summit in Geneva, Switzerland.

The Zakharov Spark

The arrest of the Soviet spy suspect, Gennadi Zakharov, was the spark that ignited the powder keg of Soviet frustration. The United Nations employee was seized by the U.S. less than a month before Secretary of State George Shultz and Soviet Foreign Minister Eduard Shevardnadze were scheduled to meet to plan a summit date.

"The Soviets probably mistook their man's arrest as a provocation, approved on a high level," said Mr. Simes, the analyst.

Both U.S. and Soviet officials assert that they are making progress on an unspecified deal that, while it wouldn't lead to a quick resolution of the conflict, would at least prevent it from exploding the superpowers' relations. Officials said the final details of the agreement haven't been worked out.

One senior official, however, suggested that any deal would involve the release of both Mr. Daniloff and Mr. Zakharov, who

would be turned over to their countries' ambassadors, pending solution of the dispute.

Hitches still appear to remain over when the two men would be released and whether they would be tried.

Nonetheless, enough damage has been done to at least push the summit into 1987, perhaps by the spring.

"After the Daniloff affair, the American public, and absolutely the American press, will not be in the mood to give Gorbachev a warm welcome on this first visit to this country," said Mr. Simes.

The Soviet gambit was probably calculated to win a quick release for Mr. Zakharov and to make the Reagan administration

86 fearful of losing the opportunity for a summit this year, jolting it into being more amenable in pre-summit talks.

At the time Mr. Zakharov was arrested, the Soviet leadership apparently already had concluded that President Reagan was patently unwilling to concede any ground on either of two issues on which Gorbachev can be seen as having staked his domestic political fortune: a total ban on nuclear-weapon testing, and a restriction on President Reagan's Strategic Defense Initiative.

Gorbachev's Bosses

Kremlinologists said Mr. Gorbachev, despite having consolidated his power more rapidly than any previous Soviet leader, remains answerable to powerful elements of an elite political constituency that opposes negotiations with the Reagan administration. To keep them at bay and justify attending a summit, he may need Mr. Reagan's acquiescence on at least one of those two issues.

By getting tough with the U.S. at the expense of an American journalist, Mr. Gorbachev ultimately may win greater flexibility from the Reagan administration, even if it means pushing the summit to a later date.

Some senior officials in Washington believe the Soviet leadership, exasperated by its dealings with the Reagan administration and willing to wait until a new administration is in office to talk about arms control, may have been hoping to precipitate a conflict that would force the president to ultimately cancel the summit.

Supporters of this view said the Soviet leader could not have failed to predict the outrage of the American public.

But most experts concur that the American specialists in Mr. Gorbachev's ruling circle, including Anatoli Dobrynin, who spent 25 years as Moscow's ambassador in Washington, would have chosen the politically expedient course in advising Mr. Gorbachev. They say that course would have been to support the K.G.B. recommendation to frame Mr. Daniloff.

This view also holds that to get out of

the summit commitment, the Soviets would have had to prompt a U.S. move to cancel, because in the communique from the Geneva summit, Mr. Gorbachev agreed to meet President Reagan in the U.S. this year. To renege on that agreement would damage the Soviet leader's image abroad.

But most officials discount this claim, noting that Mr. Gorbachev would likely suffer less damage to his image, particularly in the arena of West European public opinion, by citing President Reagan's intransigence on his plans to build a space-based strategic defense as a reason for not attending the planned meeting.

Risk of Retaliation

However, the risk still remains that as the conflict drags on, President Reagan will come under pressure to take retaliatory measures that ultimately could scotch the summit.

Kremlin experts say the Soviets failed to fully anticipate the pressure to remain tough that would be put on President Reagan on behalf of the jailed journalist by the American press.

"Once again," commented Mr. Simes, an emigre from the Soviet Union, "the Soviets have failed to take into consideration something they don't have."

Gorbachev Enlisting Wary Intellectuals To Aid the Economy, Foil Bureaucracy

FOREIGN INSIGHT

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

The stock of Russia's intellectual classes appears to be rising under the rule of Mikhail S. Gorbachev.

The Soviet leader recognizes their value as contributors to his paramount goal of economic modernization. He also sees them as a potential foil to the entrenched bureaucracy that is resisting his policies of change.

"Gorbachev would like to rally the nation's intelligentsia to his reform barricades," says Stephen F. Cohen, a Princeton University Soviet specialist. Some Soviet experts see the release from exile of dissident physicist Andrei Sakharov as a powerful symbolic gesture aimed at boosting support for Mr. Gorbachev among the nation's intellectual elite. For them, the move represents further escalation in a campaign that combines greater openness with more humane treatment of select dissenters and a partial relaxation of censorship in the arts.

According to this thinking, the 1975 Nobel Peace Prize laureate isn't only the symbolic representative of the country's severely diminished dissident movement. Mr. Sakharov, three-time winner of the nation's highest civil award, also reflects the hopes for liberalization quietly held by a broad section of the post-Stalinist generation, Soviet experts say. Mr. Gorbachev is the first Soviet leader of that generation and draws much of his political constituency from it.

The generation includes many of the creative, technocratic and political elite without whose assistance Mr. Gorbachev will fail in his drive to dismantle features of the Stalinist system that continue to cripple the Soviet Union's social and economic development, threatening its ability to compete as a superpower. These vestiges include an outmoded command model for the economy and a social order that relies more heavily on fear and intimidation than on public trust.

"Stalin built a nation on the backs of peasants and industrial workers and many of the key biases of that system remain intact," says Marshall I. Goldman, associate director of Harvard University's Russian Research Center. "The Russia Gorbachev envisages will be based on computer programmers, trained economic managers, and others with the knowledge to find solutions for the nation's chronic economic and social problems."

Many intellectuals in Moscow see Mr. Gorbachev's campaign to co-opt them demonstrated also by his personally approving distribution of formerly forbidden books, plays and films, and by his at-

tempts to lure popular avant-garde director Yuri Lyubimov back from emigration. "We as a class can provide a force for stirring the passive masses," says one disaffected writer. "We can tip the balance in his struggle to restructure the economy and society."

But giving intellectuals greater status, a policy pursued for the past several years for similar reasons by Chinese leader Deng Xiaoping, faces substantial resistance.

Soviet watchers say intellectuals themselves may be reluctant to jump on Mr. Gorbachev's bandwagon, fearing the fickleness of Kremlin policy and a resurgence of conservatism, and feeling still too confined by the limitations the communist system forces upon them. Another obstacle is the fact that Stalin's anti-intellectual legacy runs deep, both among the general populace and within the gargantuan party and state bureaucracy that wields central control.

Opponents of Mr. Gorbachev's policies may view his effort to woo the intelligentsia as a further attempt to discredit the conservatives and their way of thinking. It won't go unnoticed by the more conservative wing of the Communist Party that Mr. Gorbachev's move to free Mr. Sakharov from exile comes as the party is gearing up for a plenum at which the Soviet leader is expected to try to oust remaining old-guard opposition on the Politburo and establish new rules on party cadres.

Conservative elements, however, may be mollified by the public relations benefits of Mr. Gorbachev's move, which could mute international criticism of Soviet policies as the Kremlin prepares for an international conference on human rights in Moscow.

Kremlin watchers say Mr. Gorbachev's effort to put a human face on Russian communism can be viewed partly as a tactical move that will be appreciated by most elements of the Soviet leadership. The chief thrust of Soviet propaganda—the proclamation that the Soviet Union is dedicated to world peace—is routinely undercut by Western accusations of Soviet infringement of the rights of its own people.

But Kremlinologists see more than propaganda in Mr. Gorbachev's move. As long ago as 1968, Mr. Sakharov wrote that there is an inseparable link between the Soviet government's treatment of its own citizens and its prospects for economic and social development. "Today," says Princeton's Mr. Cohen, "there is an overlap of the ideas Sakharov expressed . . . and the Soviet leader's own thinking."



Mikhail Gorbachev

Thatcher's Coming Trip to Soviet Union May Profoundly Alter Europe's Defense

FOREIGN INSIGHT

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—British Prime Minister Margaret Thatcher locks horns in Moscow with Soviet leader Mikhail Gorbachev next week on issues that could profoundly alter the East-West military confrontation in Europe. She has been building a consensus on European disarmament this week with her French and West German counterparts prior to her five-day Soviet visit, which begins Saturday.

The Soviet leader will push his campaign for a "nuclear-free Europe," aimed at removing the British and French independent nuclear deterrents as well as superpower medium-range missiles from Europe.

Western analysts say he'll also try to advocate his concept of a continent in which West European nations and the Soviet Union "share one home" and where, by implication, the U.S. is an outsider. Mr. Gorbachev's repeated calls for a Europe extending "from the Atlantic to the Urals," say Western officials, provides an emotionally appealing backdrop to his denuclearization campaign.

In her turn, Mrs. Thatcher will stress the determination of Britain and France, Western Europe's only nuclear powers, to retain and update their independent nuclear arsenals, even as Washington and Moscow approach an accord on medium-range missiles, and to strengthen Western Europe's collective military security. Against that background, Western analysts say, she'll seek to cement her emerging role as spokeswoman for Western Europe.

After meeting Monday with French President Francois Mitterrand and German Chancellor Helmut Kohl, Mr. Kohl told reporters it was vitally important that Mrs. Thatcher knew she had the support of Paris and Bonn when she met Mr. Gorbachev. Mr. Mitterrand said he hadn't asked the British leader to convey to the Russians French determination to keep its nuclear deterrent but he said she was in a position to speak for both of them on the issue.



Margaret Thatcher

members that any U.S.-Soviet pact on medium-range missiles include agreement on Moscow's short-range missiles aimed at Europe, as well as on Warsaw pact conventional and chemical weapons that are believed to outweigh NATO's.

Mrs. Thatcher's role as European spokeswoman will go beyond defense issues, too. West European diplomats in Moscow say Mrs. Thatcher's visit comes at a time of growing consensus that Mr. Gorbachev's modernization policies may signal a new chapter in East-West relations in which the European Community should participate.

Some Western officials in Moscow say sentiment toward formulating a European response to Mr. Gorbachev's initiatives indicates at least a partial victory for the new pan-European emphasis in Soviet foreign policy under his leadership.

One French diplomat says Mr. Gorbachev will highlight that emphasis during Mrs. Thatcher's visit because he "has probably made up his mind that the maximum he'll get out of President Reagan's last two years is an agreement on medium-range missiles. . . . The Soviets will turn their attention more toward opportunities in Europe. In general they've always viewed the Europeans as more reasonable."

Western officials also say that by encouraging common interest with Western Europe, the Kremlin hopes to obtain more economic and political cooperation for Mr. Gorbachev's domestic modernization drive, while increasing political leverage with its superpower rival.

Western diplomatic officials say Mr. Gorbachev needs to boost his denuclearization campaign while, in the words of one, prospects for a U.S.-Soviet arms accord "are increasing pressure on European governments to do more for their own security."

The diplomats say that while the Soviets have consistently sought to end Wash-



Mikhail Gorbachev

ington's dominant security role in the North Atlantic Treaty Organization, Mr. Gorbachev is already thinking of what might lie beyond. An unprecedented recent agreement between Britain and France for cooperation on arms purchases and nuclear defense, and a movement within the 12-member Com-

mon Market to establish collective security and defense policies, have heightened Moscow's concern.

"Now is the time for Mr. Gorbachev to act if he wants to influence the future defense picture in Western Europe," says a diplomat from West Germany, where most U.S. medium-range missiles are based and where Mr. Gorbachev's nuclear-free-Europe campaign has gained some acceptance.

The moment also can be seized by Mrs. Thatcher to present a united European response to Mr. Gorbachev's initiatives. A senior fellow at London's Royal Institute of International Affairs, Alex Pravda, says Mrs. Thatcher "is going to try to respond to Mr. Gorbachev with a European standpoint." He adds, "She aspires to that kind of role" because donning the pan-European mantle increases Britain's stature in world affairs and gives it leverage in defense matters that affect Britain.

Mrs. Thatcher's visit—the first by a British head of government since 1975 and her first full-scale Kremlin talks since taking office in 1979—also will help in her bid for a third term in elections she's likely to call this year.

In her contest with the Labor Party, which says it would unilaterally scrap Britain's nuclear forces, Mrs. Thatcher has described Mr. Gorbachev's Feb. 28 offer to withdraw Soviet SS-20 missiles from Europe as a response to pressure from U.S. deployment of Pershing 2 and cruise missiles, which she backed against Labor's opposition.

But more essential than domestic politics is Mrs. Thatcher's mission to be heard out on the insistence of European NATO

'Glasnost' Is Also a Victim of Chernobyl As Propaganda Move Rises From Ashes

APR 23

FOREIGN INSIGHT

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—The international firestorm that followed the nuclear accident at Chernobyl gave birth to *glasnost*. Mikhail Gorbachev's policy of openness. But one year later, the Soviet leadership seems incapable of applying the new principle to the aftermath of the disaster.

After an initial effort at candor, the Kremlin has launched a powerful propaganda campaign aimed at squelching the public's fears about the long-term consequences of Chernobyl, the worst nuclear accident in history. One Soviet intellectual says the official explanations are as "unrealistic and full of wishful thinking as a Russian fairy tale."



Mikhail Gorbachev

But by suppressing the truth at a time when the populace's fears about radiation are mounting, officials are demonstrating their inability to curb the old Russian impulse to take a strictly paternalistic approach toward what individuals need to know. They are also undermining *glasnost*—and thereby threatening to destroy Mr. Gorbachev's carefully cultivated image as a new breed of Soviet leader.

At the very least, skepticism toward the rosy picture being painted by officials is likely to deepen an ingrained cynicism that is impeding Mr. Gorbachev's campaign for social and economic renewal.

Authorities stepped up their campaign to hide the true dangers of Chernobyl in early March as dozens of small rivers that course through the 18.5-mile-wide evacuation zone around the nuclear plant began overflowing from the thaw of record winter snows.

Not surprisingly, people worried that radiation-contaminated soil would be carried off into the Dnieper River Basin that provides drinking water for millions of people in the Ukraine. Thousands of anxious letters from mothers and fathers in the area poured in to Soviet newspapers.

Officials responded that newly built filtering dikes would hold back all radionuclides, the invisible radioactive particles scientists say will remain "hot" for decades or even centuries. Ukrainian Health Minister Anatoli Romanenko declared "there are no grounds whatsoever for worries or apprehensions."

And as the floods subsided, Vasily Tkach, minister of water conservation, likewise proclaimed that all was well. "The Dnieper's waters are now suitable for drinking and the picturesque banks for sport and play," he said.

More soothing words followed as strong spring winds blew radioactive dust onto farm fields and pastures. While Western

scientists warned that consumption of contaminated water, milk, and food will account for 90% of post-Chernobyl radiation exposure, officials in the Soviet Union dismissed health fears as a psychological neurosis.

"We observed certain elements of radiophobia," a Kiev health official said on a radio program. "A certain proportion of the people are limiting intake of milk and fresh vegetables, considering they may be contaminated." He advised listeners to forget their fears, as the real threat to their health was the "distortions in their diet," depriving them of vitamins and minerals.

Anxiety over the long-term threat of death from cancer from radiation exposure is also being met with a don't-worry line. According to Leonid Ilyin, chairman of the National Commission for Radiation Protection, of the 237 people diagnosed one year ago as suffering from acute radiation sickness, 28 have died while "the overwhelming majority of victims have returned to work." (Western experts put the number of radiation deaths at 29).

As for the 930,000 people examined for the effects of exposure, Nuclear Power Industry Minister Nikolai Lukonin said, "I can officially say that no deviation from the norm was found in any case, including newborn babies who stayed in the area of Chernobyl."

Over the long term, Mr. Lukonin told Ukrainian newspapers, 600 cancer fatalities at most will result from the nuclear accident. He and other officials have rejected as fabrications estimates by Western specialists that as many as 75,000 people world-wide could die.

(In Moscow yesterday, Soviet officials told a news conference that most people in the Chernobyl area are in good health and that radiation levels in farm products and soil near the plant have almost returned to normal. They also said that the lowering of the reactor temperature is going according to plan.)

Despite the propaganda barrage, Western diplomats in Moscow say *glasnost* isn't a complete failure. One of its goals was to make bureaucrats more accountable for their deeds—and Soviet newspapers have been reporting cases of managerial malfeasance that permitted the Chernobyl fire to happen at all.

But *glasnost* has clearly failed to achieve its other grand purpose: to bring the truth to the people.

Mr. Gorbachev himself recently urged Soviet journalists to show greater respect for the intelligence of average Soviet citizens. To fail to do so could only damage their morale, he said.

"Any untruth gives rise to a painful reaction and affects a person's social feelings," Mr. Gorbachev said. "There's no getting away from this."

In the Ukraine, the Chernobyl catastrophe is certain to bring more hardships. Just as inevitably, the contrived explanations of what's happening will trigger the painful reactions that the inventor of *glasnost* finds so troubling.

Gorbachev's Waffling on Summit Raises Speculation on Kremlin Power Struggle

FOREIGN

INSIGHT

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW — Mikhail Gorbachev's bungled attempt to set last-minute conditions on a summit with President Reagan may have had less to do with the U.S. leader's political weakness than with disarray within the Kremlin itself, Western political analysts say.

When the Soviet leader surprised American officials last Friday by declaring he wasn't ready to set a summit date until the U.S. agreed to negotiate curbs on its strategic defense initiative, Western analysts' immediate reaction was that he was hoping to exploit Mr. Reagan's political troubles to wring last-minute concessions from him.

But now that Mr. Gorbachev has apparently flip-flopped and is again eager to hold a summit soon, the experts have a new explanation.

They say the Soviet leader, who has met the president twice, is well aware of his single-minded dedication to SDI and wouldn't conceivably have thought the president could be forced to compromise on his pet project.

Too Smart for That

"Gorbachev has traveled too far with Reagan to make a stupid mistake like that," says one Western diplomat.

Indeed, analysts speculate that it wasn't Mr. Gorbachev but some hard-liners around him who forced him to shift positions last Friday. But when the U.S. strongly rebuffed his demands for SDI concessions, the theory goes, the hard-liners realized they had no choice but to let Mr. Gorbachev do it his way. Otherwise, the Soviet Union risked doing irreparable damage to its carefully constructed image of a peacemaker in search of more open and equal relations with the Western world.

As a result, Soviet Foreign Minister Eduard Shevardnadze is coming to Washington tomorrow to tell Mr. Reagan and Secretary of State George Shultz the Soviet Union retracts its demands for concessions on SDI as a precondition for a summit. Instead, he will probably tell the Americans that signing a treaty to eliminate intermediate-range nuclear weapons in Europe is enough.

This second about-face will only reinforce the impression that the Kremlin is torn by dissension. Western diplomats and

specialists speculate that the first change in the Kremlin line, which as head of a collective leadership Mr. Gorbachev had no choice but to articulate, represented an attempt to scotch the summit.

According to this view, what appeared at first as a tactical move was in fact a sign that power was shifting from Mr. Gorbachev to hard-liners. These opponents reject not only his arms-control policy but also his apparent strategy of easing superpower tensions to allow the Soviet Union to divert energies to rejuvenating the economy.

Signs of tension in the ruling hierarchy appeared last week when Mr. Shevardnadze testily rejected a suggestion that the Kremlin had altered its position on a summit during a surprise plenary session of the Communist Party Central Committee on Oct. 21—the day before Mr. Shultz arrived in Moscow. The 307-member Central Committee comprises the nation's top political officials.

Help Not Forthcoming

Western analysts speculate that Mr. Gorbachev had turned to the Central Committee to break a deadlock within the 12-member ruling Politburo over the superpower summit. However, the Central Committee, 40% of whose members are old-guard holdovers from the Brezhnev era, apparently refused to support the Soviet leader, the analysts say.

But almost as soon as Mr. Shultz last Friday announced Moscow's unwillingness to set a summit date, the Western reaction began to go against Mr. Gorbachev. Western editorial and government reaction began to portray the Kremlin as untrustworthy and disunited—images Moscow has fought desperately to dispel over the past two and half years.

Mr. Gorbachev's reassertion of authority may thus have resulted from the shock awareness that Soviet Union was on the verge of losing its greatest foreign-policy gain in decades: Persuading the Western democracies that its peaceful intentions justified doing economic and political business with it. But the West has never abandoned all its doubts about Soviet intentions, and now it might start wondering once again who is really in control in the Kremlin.

INTERNATIONAL

Soviet Generals Get Reformist Message

But Gorbachev's Frustration With West Grows

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW — Western diplomats here have given Mikhail Gorbachev a new nickname. They're calling him "Mr. Da." It comes from the Soviet leader's willingness to say "yes," where earlier he had said "no," to eliminating obstacles to an arms-control agreement with the U.S.

Mr. Gorbachev's seeming eagerness to strike a deal with the U.S. is confronting Western analysts with a riddle: To what extent is he masterminding a propaganda campaign designed to undermine the Atlantic alliance, and to what extent does he really want to slow the arms race?

The answer is probably a mixture of both. But a consensus seems to be emerging that Mr. Gorbachev needs an arms agreement to win the Soviet military establishment's backing for a national effort to reverse the country's economic decline.

According to this view, the generals will go along with a diversion of resources to the civilian sector because they have come to realize that a revitalized economy will benefit them in the long run.

But Mr. Gorbachev's more-forthcoming approach isn't winning him the quick credibility he apparently sought. Three weeks after he proposed bold new measures to speed an agreement to remove Soviet and U.S. medium-range missiles from Europe, Western suspicions still abound on the motives behind his initiatives. And Mr. Gorbachev's frustration is growing.

In a speech he made last week during a visit by Syrian President Hafez Assad, Mr. Gorbachev mocked Western apprehensions. "What does Moscow have on its mind? Why such bold steps?" he asked sarcastically. "Isn't behind that (boldness) just cunning and deception designed to lull the vigilance of some and divide all, and crush down on Western Europe?"

He then goaded the West for failing to see what he claims is obvious: that a change in Soviet foreign policy has been precipitated by his internal drive for economic and social renewal. "Is it really beyond you to understand the objective, inseparable connection of these processes with genuinely good intentions in foreign policy?" he asked the West.

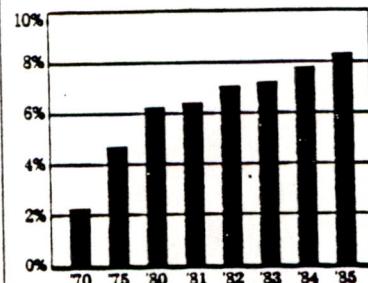
Many Western experts agree there is a kernel of truth in Mr. Gorbachev's link between new Soviet domestic and foreign



Mikhail Gorbachev

Soviet Spending on Military Hardware

Percentage of national income that goes to military procurement of durable goods.*



*National income measures the output of physical goods plus the services used to make these goods.

NOTE: All calculations are made in 1984 rubles. Source: PlanEcon Inc.

policies. Increasingly, they are saying that without a relaxation in the world-wide superpower competition, a process that could be set in motion by an arms-control agreement, Mr. Gorbachev's drive to overhaul the sputtering Soviet economy could fail, ultimately leaving the military sector the same shambles the civilian sector is today.

Comments one senior Western diplomat with long Soviet experience. "It's not as crude as just shifting money from guns to butter. Gorbachev needs to restructure economic investment and thinking. He needs to take the Soviet economy off a wartime footing."

Western observers say Mr. Gorbachev's annoyance isn't wholly justified. It was Soviet President Andrei Gromyko, dubbed "Mr. Nyet" when he served as foreign minister, who "once warned us that behind Mr. Gorbachev's 'nice smile' lie 'teeth of steel,'" one analyst notes.

And it's clear that the Kremlin is exploiting Mr. Gorbachev's initiatives for propaganda purposes. Western analysts say the conflict his arms proposals have incited between the U.S. and its European allies was certainly one of his goals. Weakening support for President Reagan's Star Wars defense plan was also carefully calculated. And that by saying "yes" Mr. Gorbachev is trying to shatter Russia's image as a threatening "evil" empire and harvest an array of political and economic benefits is, in the words of one analyst, "as clear as the blue Siberian sky."

But Kremlinologists skilled at probing the tea leaves of Soviet behavior say that behind Mr. Gorbachev's eagerness for

arms control probably lies his need to make a fundamental change in the way the Soviet economic system operates.

The key feature of that system, which remains basically intact since Josef Stalin created it 50 years ago to industrialize backward Russia, is that "the military has near-absolute priority over everything from investment to pins and needles," says Columbia University Prof. Richard Ericson, who is in Moscow to study Mr. Gorbachev's economic reforms.

Indeed, the structure of the economy today, with most civilian industrial, transport, communication and medical facilities designed and maintained to make a quick shift to military needs, and with the best scientific minds working in the military sector, reflects as much a siege mentality as Marxist-Leninist economic theory. The system of rigid, centralized decision-making "is the same kind every country turns to in a time of war," says Mr. Ericson.

Mr. Gorbachev needs the backing of the military establishment if he is to curb its growing appetite for money. And to get its support, he needs a relaxation of East-West tensions. (Soviet defense spending as a portion of gross national product rose to between 15% and 17% in 1982 from 12%-14% in 1970, according to U.S. Defense Department estimates.)

Power Elite Agrees

Already, Mr. Gorbachev is believed to have established a consensus within the military and political hierarchies that military costs are sabotaging economic growth, which Jan Vanous, president of the Washington think tank PlanEcon Inc., estimates fell to 1.5% last year, the lowest rate since World War II.

Indeed, 25 years after Nikita Khrushchev was ousted as party boss, partly for attempting to cut outlays for the military, experts speculate that Mr. Gorbachev is winning wide acceptance for fundamental change. And he's doing so, they believe, by disseminating among the Soviet power elite secret data that proves the economy is nearing a dead end. Ultimately, Western officials speculate, the prospect of a bigger pie from which the military share will be cut is what has gotten Soviet generals to climb gingerly on Mr. Gorbachev's bandwagon.

"Gorbachev has shattered the pretense that the Soviet economy works and convinced the military that when he fixes it they'll get all they need," says one Western official.

To fail to stall the arms race, Soviet officials admit privately, would eventually force the Soviet Union to forfeit its superpower status. The difficulty of the task, Western experts say, is staggering.

Redirecting Energies

To bring about Mr. Gorbachev's economic reforms, central planners will have to relinquish day-to-day decision-making to middle-level managers and focus their attention exclusively on long-range strategic planning.

"Only in that way can the local manager act as a sensor and put a dent in the grotesque inefficiency brought about by decades of irrationally ignoring factors like supply and demand and price formation," one Western specialist says.

Columbia University's Mr. Ericson adds that "a strong psychological aspect" infuses Mr. Gorbachev's new policies: He seems to recognize that working under extreme pressure inhibits creativity.

"If the Soviets are under pressure to meet more and more American (military) challenges they will wind up doing it in the only way they know how: by administering everything in detail, making sure the center is on top of everything, and ultimately stifling all local initiative," he says.

Western experts say normalizing the Soviet economy would occupy at least Mr. Gorbachev's tenure in office and probably much longer. Whether during that period of retrenchment any basic changes would develop in Soviet military and political objectives is an open question. It's that uncertainty that is inducing the Western apprehensions that so anger Mr. Gorbachev.

Hard-Liner's Influence Gains in Kremlin

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—A Soviet propagandist who spent several months studying in New York City and who views the U.S. as an implacable enemy is emerging as Mikhail Gorbachev's leading strategist.

Alexander Yakovlev, a 63-year-old former ambassador to Canada, has already achieved paramount influence over the thinking of the Soviet leader. He is widely credited with inspiring Mr. Gorbachev's policy of glasnost, or openness, and his approach to revitalizing the Soviet economy.



Alexander Yakovlev

Little is known about the precise history of the two men's relationship. They are believed to have known each other for more than a decade and are said to have been favorites of the late Mikhail Suslov, former czar of Soviet communist ideology. But Soviet watchers say there is no doubt about the influence of Mr. Yakovlev on Mr. Gorbachev and, thus, on Soviet policy. Diplomats in Moscow refer to them as "soul mates" and one calls Mr. Yakovlev "the brains behind Gorbachev."

As a result, Western diplomats are focusing on the balding, portly Mr. Yakovlev with sudden intensity and are scrutinizing his writings with new urgency. Some believe Mr. Gorbachev is trying to maneuver his protégé into the No. 2 spot now held by Egor Ligachev, a conservative, go-slow type.

A close look at Mr. Yakovlev reveals a man born of peasant parents who is a first-generation member of the intelligentsia. On the substantive side, what is most striking is the pervasiveness of anti-Americanism in his thinking about East-West relations. An exchange student at Columbia University in New York in 1959, he routinely flails at the U.S. in his writings. He has described America as a land of "deep amorality built on a convulsive worship of success." And he has denounced "its messianic idea of ownership of the world that is characteristic of the American social fabric."

Mr. Yakovlev's views on the U.S. come across as more hard-line than those of other Soviet experts on America, such as Georgi Arbatov, director of the U.S.A. and Canada Institute, and Anatoly Dobrynin, the party secretary for foreign affairs who served as Moscow's ambassador to Washington for more than two decades. While the latter two men consider Ronald Reagan's presidency less conducive to improved relations than that of his predecessors, Mr. Yakovlev argues that all U.S. presidents, as heads of America's "ruling circles," are inherently equal threats to world peace.

Sudden Departure

In the introduction to his 1985 book "On the Edge of the Abyss: From Truman to Reagan," he writes that all eight U.S. chief executives in the post-World War II years have used the same methods "to sow fear of an outside danger, instill chauvinism, justify the growth of militarism and aggression, brainwash the people so they won't think about whatever the ruling forces feel is undesirable, and generate prewar hysteria."

Comments one Western diplomat, "The thing you have to understand about Yakovlev is that this guy, who in many ways is

Gorbachev's intellectual mentor, has the profoundest misgivings about everything American."

His misgivings spring from a deeply held Marxism and have by all accounts permeated the thinking of Mr. Gorbachev, who makes frequent references to the so-called ruling military-industrial circles that he believes dictate American policy.

The same distrust of America may have contributed to Mr. Yakovlev's fall from power in the early 1970s when the late Leonid Brezhnev was pursuing detente with the U.S. At that time, Mr. Yakovlev, who held a key Kremlin post—that of acting propaganda chief—was suddenly exiled to relative obscurity in Ottawa, where he languished for a decade. Then in 1983, when Mr. Gorbachev visited Canada as party secretary in charge of agriculture, the two men met again.

Three months later, Mr. Yakovlev, who holds a doctorate in historical sciences and is a member of the economics department of the Soviet Academy of Sciences, was invited to take up the post of director of the prestigious Moscow Institute for World Economics and International Relations. That appointment by the late Yuri Andropov attracted attention in the West. The interest intensified when Mr. Yakovlev accompanied Mr. Gorbachev on a trip to London in December 1984.

Within a few months, Mr. Gorbachev won the Kremlin's top job. Mr. Yakovlev rode his friend's coattails back into the party's inner sanctum. He was named a full member of the Central Committee, to which all the nation's highest officials belong, and made chief of its propaganda department. Last year he won a spot on the 12-member Secretariat and in addition to his propaganda duties, took charge of culture as well. This gives him ultimate control over Soviet newspapers and television, literature, theater and education.

Liberal Borrowings

The extent of his influence became apparent one month after Mr. Gorbachev took power. At the April 1985 party plenum, the new leader spelled out his course for economic and social renewal, stunning the world with his call for a "deep transformation" in the way Russia is run.

What struck some Western analysts was that his plan, obviously long in the making, read like a survey of Mr. Yakovlev's own scholarly and journalistic writings. "When Gorbachev wasn't paraphrasing Yakovlev, he was quoting him directly," says Rodolfo Brancoli, an author and former Moscow bureau chief for the Italian daily La Repubblica.

One Western analyst with detailed knowledge of Mr. Yakovlev's publications and speeches says Mr. Gorbachev's designs for the Soviet Union today remain "pure Yakovlev."

The strategy is aimed at spurring economic growth and thereby giving the Soviets the means by which to close their industrial and technological gap with the West. Mr. Yakovlev believes any foreign assistance should come primarily from Western Europe and Japan.

This would require a shift in foreign policy emphasis away from the U.S., which is deemed an unreliable economic partner, and an aggressive public-relations campaign to improve the country's badly tarnished image abroad.

This past January, Mr. Yakovlev was elevated to non-voting, or candidate, membership in the Politburo. Western experts say he's virtually assured of getting a voting seat at the next Central Committee plenum, possibly this summer.

The final act in his rivalry with Mr. Ligachev could then be played out in the Secretariat. Those practiced in the art of reading the tea leaves of Kremlin politics predict he'll win responsibility for party ideology, traditionally the domain of the Soviet Union's second-most powerful apparatchik. It's a portfolio currently held by Mr. Ligachev.

TIONAL

Capitalists Wary of Moscow's Hard Sell To Invest in Joint-Venture Enterprises

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Three months ago, Mikhail Gorbachev won a battle with his colleagues on the ruling Politburo to allow foreign capitalists to establish joint business ventures on Russian soil. But the Soviet leader faces a tougher struggle convincing wary foreigners that they can make a profit by helping Russia build communism.

Despite a hard-sell effort by Soviet trade officials, Europeans and Americans remain wary. They know the difficulties that have afflicted Western joint projects in Eastern Europe and China. And they say the Russians have failed to provide the necessary assurances that conditions exist for foreign investment here.

"They're eager, but we aren't," says one West German experienced in Soviet trade. In a response typical of Western business representatives in Moscow, he adds, "We have questions, but they have no answers. They want to play this by ear and work out each deal on an individual contract basis. This could be chaos."

Rebutting Reports

The Soviets displayed their eagerness recently when five senior economic officials held an unprecedented news conference aimed at clearing up what they called the Western media's misunderstandings of Soviet joint ventures. Seeking to rebut reports that their invitation to foreign business had been met with extreme caution, Deputy Prime Minister Vladimir Kamentsev asserted that of 200 proposals received by the government, 121 were deemed of mutual interest and 12 projects were "practically implemented." He wouldn't estimate how much foreign capital was involved.

Western diplomats specializing in Soviet foreign trade confirm that several protocols have been signed. But the officials say that no legally binding contracts for joint manufacturing projects have been completed. Among interested U.S. companies are Monsanto Co., for a herbicide plant; Occidental Petroleum Corp., for oil equipment, and Combustion Engineering Inc., for process-control equipment for refineries. The West German publisher Aenne Burda Verlag says it has formed a joint venture involving investments equivalent to \$16.5 million to produce a Russian-language edition of its fashion publication.

Officials acknowledge that many of the problems and much of the confusion arise from the broadly worded joint-venture legislation that appeared in Pravda on Jan. 27. Publication of the 4,000-word document, delayed by conservative opposition remaining after the Politburo approved the idea Dec. 25, represented a major ideological shift. It allowed foreign investors for the first time to hold as much as 49% equity and a management role in Soviet industrial facilities.

Westerners negotiating joint ventures say a major sticking point is that the Soviets, intent on boosting their intake of Western currencies, have oriented the law and structure of the projects to increase exports of manufactured goods, while offering only limited access to domestic markets.

"In many cases there's a basic conflict of interest here," says Prof. Richard Ericson, a Columbia University economist currently in Moscow to study Mr. Gorbachev's economic modernization effort. "Western companies are naturally more interested in tapping the Soviet market."

Compete With the State

Meantime, an internal debate among authorities may give more weight to domestic sales by the joint ventures. Mr. Gorbachev, who wants to upgrade Soviet production quality to international levels, would like to see the joint enterprises compete for customers with state-run organizations, both within the country and on the world market. So said a bevy of Soviet officials who in February showed up for the first time at the yearly symposium of the World Economic Forum in Davos, Switzerland to tout joint ventures.

"Maybe that's coming, but that clearly isn't what the drafters of the law had in mind," says Mr. Ericson.

Penetration of the Soviet market by Western firms remains limited, with PepsiCo Inc.'s sale of soft drinks one of the rare examples. Western businessmen say they would like the joint ventures to make goods for the Soviet market that the country currently imports with its scarce hard currency. Noting that Soviet imports of machinery and equipment rose 14% last year in response to Mr. Gorbachev's drive to retool industry, a French machinery manufacturer says: "The replacement of these imports is the best contribution joint ventures could make."

Keen reservations persist on the issue of distribution of profits and repatriation of the foreign partner's share. The law says net profits are calculated after costs and "payments to the [enterprise's] reserve fund, as well as to other funds... earmarked for the development of production and for research and technology." One Western commercial official comments: "This is too vague. There is no telling how far the skimming will go for things businessmen who are used to market economies wouldn't even suspect exist. We've sought clarification with no avail."

From the remaining profits the enter-

prise, after an initial two-year exemption, pays a tax of 30%. After that, the foreign partner receives a percentage of the profits matching its share of the joint venture's capital and is taxed a further 20% of the portion it repatriates.

Compared with tax rates in other countries, "our partners are very privileged," says Yuriy Aleksandrovich Ivanov, chairman of the Foreign Trade Bank.

Western businessmen say they would agree were they clear—again, the law is vague—on whether they'll be permitted to take home ruble profits from domestic sales in the form of hard currency. Prof. Ericson says "it's very unlikely. If the Soviets permit that at the official inflated exchange rate they'll lose a lot of money."

Mr. Kamentsev skirted the question and would only confirm that "foreign partners could receive profits from all the products produced by the enterprise," presumably meaning exports and domestically consumed production, but said nothing about profit repatriation.

Western businessmen are also wary of Soviet claims the joint enterprises will be independent from the stultifying control of central planning organs. Prices for local fuel and raw-materials deliveries will be at "world market levels," the law says, but there is little information on the cost of labor and other pricing issues.

Stressing that "the pricing question must be solved in the nearest future, otherwise it can be a hindrance to the acceleration of joint ventures," Mr. Kamentsev said trade officials would meet in June to set clear guidelines.

Soviet industry's prospective capitalist business partners are also cautious about what lies in store for them in labor relations and their role in management.

The law says the enterprise chairman and chief executive officer must be Soviet citizens and that the Communist Party and official trade unions will function within joint manufacturing ventures. While the law also says the hiring and firing of workers and payment and incentive schemes are to be worked out jointly, Western businessmen are concerned about the Soviet work force, which Soviet sociologist Tatyana Zaslavskaya, who has risen under Mr. Gorbachev to a position of influence, once described as "endemically lazy" and poorly skilled.

Perhaps more in response to conservative Soviet opposition to Western capitalists operating on Russian soil than to prospective partners' concerns, the head of the joint enterprises department of the Foreign Trade Ministry recently told the press agency Tass that "the agreement provides for the joint administration to stop poor work and indiscipline." But "a worker can be discharged only if the trade union gives consent."

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INTERNA

Soviet Media Admit Inflation's Existence

Prices Debate Appears to Be a Gorbachev Ploy

By MARK D'ANASTASIO
Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Soviet newspapers are reporting for the first time what ordinary Russians have spoken about at dinner tables for years—that inflation is impinging sharply on the quality of life.

But the state bureaucracy that runs the economy continues to insist on the official boast that the Soviet Union is all but immune to the inflation scourge that plagues "crisis-ridden" capitalism. Indeed, recent official retail-trade figures imply prices have been going down.

Western experts say the contradiction is more than just a glitch in Soviet leader Mikhail Gorbachev's campaign for *glasnost*, or openness. They speculate that Mr. Gorbachev's supporters deliberately have unleashed a public debate on the sensitive cost-of-living issue as a new weapon in their war against opponents of his drive for economic modernization.

By daring to attack one of the main ideological pretenses of Soviet communism—that it guarantees ever-rising living standards—the Soviet leader hopes to discredit those who support existing economic policies that he says impede economic growth and rob citizens of a better life.

Hard to Say No

"The way Gorbachev is framing it in the media is 'if you're not for me you're against prosperity for the masses,'" says one Western diplomat. "No Communist Party official wants to be identified with that."

Western analysts say Mr. Gorbachev is banking on his gamble paying off at the coming plenary session of the Communist Party Central Committee, a body of about 300 of the nation's top political officials. At the expected June 9-10 plenum, which will be devoted to economic issues, the Soviet leader will seek endorsement of his plan to curtail some powers of the state's central planners. He'll also seek approval of a law that makes business enterprises responsible for profit and loss, removing the cushion of state subsidies that drain the central budget.

And he'll launch a preliminary effort to revamp the State Committee for Prices,

the body that sets all Soviet prices after production ministries submit price proposals for everything from soap powder to nuclear power plants.

The debate on Soviet inflation turns partly on whether real wages are keeping up with consumer prices. In one article, *Literaturnaya Gazeta* reporter Anatoli Rubinov, who collected hundreds of letters from Soviet readers concerned about rising prices, writes that "in recent times prices have risen out of proportion to wages... and not by kopeks, not even by just rubles."

Too Much Cash

For wealthier Soviets, inflation doesn't matter. In a country where nearly everything from cabbage to clothes is in short supply, high earners have more money than they can spend. This group includes farmers who sell fruit in markets free from state-set prices and the millions who operate on the enormous and lucrative black market or offer semi-legal consumer services. "I can buy anything I want here," says one man who rents musical instruments to Moscow hotel bands. But, he adds, because of the shortage of consumer goods, "I want more than I can buy."

But those with low wages say life has gotten harder. In a political move apparently aimed at debunking the myth of Soviet worker prosperity, the government newspaper *Izvestia* recently estimated that those struggling to make ends meet total 120 million people, or 43% of the population. The weekly *Nedelya* says that today 150 million Soviets can't afford a high-quality refrigerator or washing machine.

To this group belong pensioners, young couples, service-industry workers, and millions of low-paid industrial workers. "More and more we forgo things, especially new clothes," says one loader at a Moscow beer factory, who like most Soviets can't get by without his wife's second salary. "My expenses are running ahead of my salary."

Mr. Rubinov of *Literaturnaya Gazeta* says, "Everyone knows about this and everyone constantly talks about it. Everyone, it seems, except the U.S.S.R. Central Statistical Administration," or TSSU.

Nikolai Belov, first deputy chairman of the TSSU, which handles all the country's statistics, disagrees, saying Mr. Rubinov is "not competent to draw conclusions" about inflation. Mr. Belov called a news conference to announce that retail prices grew by only 8% from 1970 to 1986, while average monthly wages rose 60% to 195 rubles—about \$308 at the current official exchange rate—from 122 rubles. "There can be no question of inflation or a drop in living standards in the Soviet Union," he insists.

Noting that the TSSU has recently come under fire for systematic distortions of politically sensitive economic indicators both here and in the West, most analysts reject Mr. Belov's figures. Columbia University economist Richard Ericson estimates Soviet inflation averaged about 5% annually from 1970 to 1985 and two to three percentage points higher than that in each of the past two years. And a number of Russians calculate that the average monthly pre-tax salary is 160 rubles, 18% lower than the official figure.

Western experts say that as more and more problems in the Soviet economy are revealed, the pressure on bureaucrats to cover up the bad news grows. One analyst says that recent TSSU data that suggest consumer prices fell 1.6% in 1985 and then 3.8% last year are a sign that "the cover-up has gone haywire."

Western Model

Some Soviet press commentators have recently called for establishment of a Western-style consumer-price index based on a basket of everyday items. *Izvestia's* V. Tolstov says the industrial ministries reject the idea "because the figures would immediately become obvious proof of stagnant and negative phenomena in the economy." He says publishing such an index would act as a brake against ministries that press the state pricing committee for higher prices to make it easier for them to fulfill their gross production plans.

But a consumer-price index wouldn't capture the full measure of inflation. Experts note that rampant repressed inflation shows up in long lines at stores, poor quality of goods, new products that contain no improvements over cheaper earlier models and shrinking selections on store shelves.

Many Soviets say over the past several years a wide variety of meat, fish, dairy and confectionary products have simply disappeared from shops. Fearful of the threat of protests that might result from rising food costs, the state simply withdraws items which the sputtering food industry can no longer produce cheaply. Food already consumes half the average Soviet family's income.

Moscow Shows Off a Factory That Works

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

SUMY, U.S.S.R.—The fate of Soviet leader Mikhail Gorbachev's economic reform drive may rest on whether others follow the lead of a factory official named Vladimir Moskolenko.

Mr. Moskolenko, a burly man with a booming voice, is deputy director of the M. V. Frunze scientific and industrial conglomerate, a typically aged Soviet complex of five machine-building plants and a research institute sprawling across 20 acres of this neatly groomed northern Ukrainian company town.

The Frunze works may not be typical of Soviet industry; its well-motivated work force and ready access to raw materials had made it profitable for years. But as chief management strategist, the 53-year-old native Ukrainian has developed it into the chief model for a new system of business management—-independent of the layers of stifling bureaucracy that hold back Soviet industry—that Mr. Gorbachev wants to extend nationwide by 1991.

A Measure of Reform

Mr. Moskolenko's achievements, acknowledged by his frequent invitations to confer with party boss Gorbachev's chief economic aides in Moscow, provide a measure of how far the Soviet leader's reform drive has come in the past 28 months. They also show how far the drive has to go to realize Mr. Gorbachev's goal of transforming the national economy from one that blindly worships production figures at the expense of quality and profitability and is managed by orders dictated from above, rather than local managers' initiative.

"Our enterprise has become a proving ground for the new reforms," the corpulent, red-haired Mr. Moskolenko tells foreign reporters touring the plant. "Our success is very important," he adds, taking obvious pleasure in the public interest he has attracted. Indeed, government reformers are so pleased with results that the Foreign Ministry's press department chartered a small twin-engine Aeroflot plane to bring the reporters here for a half-day visit.

Mr. Moskolenko, as head of Frunze planning, began promoting management reform as long ago as the 1960s. But the economist, who has a doctorate and has spent his entire 30-year career at the Frunze works, had no chance to implement them until Mr. Gorbachev came along.

The national spotlight fell on Mr. Moskolenko in 1985, when the plant, which makes compressors for gas pipelines, centrifuges for chemical plants and 50-ton water pumps for cooling nuclear reactors, was chosen as one of two Soviet enterprises—from a total of 48,000—to carry out a one-year experiment in broad managerial and financial autonomy. (The other was the Vaz auto plant in Togliatti.)



Widening Scope

The experiment was so successful that the reforms were made permanent starting Jan. 1, 1986. This year, they have been extended to all enterprises within the Ministry of Petroleum and Chemical Machine Building, which oversees M. V. Frunze. The conditions were also applied this year throughout the instrument-building, petrochemical and automobile industries.

To the foreign reporters gathered in his birch-paneled conference room, Mr. Moskolenko explains that the aim of the Sumy experiment—indeed, the central aim of Mr. Gorbachev's proposed reforms—is to make the plant self-financing, emphasizing productivity and profitability and releasing it from dependence on state allocations and a barrage of administrative orders from its controlling ministry.

Under a plan that Mr. Moskolenko was integral in establishing, plant officials can for the first time in Soviet industry keep part of the profits to use as they see fit. The plant pays 30 kopeks on each ruble of profit as taxes to the state, while retaining the remaining 70%. Full authority is granted the plant director to spend the money for plant modernization, worker bonuses and worker benefits such as housing, child care, and vacation homes.

During the 1985 experimental period, production volume rose 14%, while profit jumped 33%, to 62.4 million rubles, according to Mr. Moskolenko. In 1986, when the new system was formally adopted, profit rose further, to 70.9 million rubles. (The ruble, which isn't freely convertible into other currencies, is officially pegged at \$1.60.)

Says Nikolai Berestovsky, Frunze chief accountant, "Suddenly there was stability. We knew what we'd have for investment and could plan ahead. We were in control."

Workers Respond

The plant's work force, 20,000 men and women organized into brigades, also responded. With bonuses and other social benefits tied to factory profits, not just gross output, workers devised measures to cut costs and raise productivity.

At noisy shop No. 15, where vacuum pumps are made, 34-year-old Gennadi Mocholov steps back from his whirling metal lathe and says that higher bonuses have pushed his monthly pay to 400 rubles from 300 in one year. "The demands were stricter, but when the plant prospers we all gain. So we work harder," he says.

A new law on state enterprises that goes into effect next January orders that all the nation's businesses are to be shifted to self-financing by 1991, making them responsible for their own profits and losses. Theoretically, earnings from better-run operations such as Frunze no longer will be used to bail out technically insolvent companies, which today account for 13% of Soviet businesses, according to Prime Minister Nikolai Ryzhkov. Unsuccessful plants face reorganization or closure.

The terms of the new law will be far stricter than the Sumy model. Emphasizing full-cost accounting, the law demands for the first time that plants pay for water, facilities and raw materials out of earnings. State grants, the mainstay of Soviet industrial financing, are to end, and enterprises will be forced to borrow from newly created banks and pay interest. Factories

also will have to find many of their own suppliers instead of waiting for allocation vouchers from the state distribution agency, Gosstab.

Mr. Moskolenko says he is confident the Frunze works can cope with the new conditions. But he concedes that Frunze is a special case, raising questions about the chances for success at other, more-conventional Soviet enterprises. Frunze was selected for the management experiment in 1985 because it already had a history of profitability.

"We couldn't not succeed," Mr. Moskolenko admits. Unlike most Soviet companies, which have been at the mercy of central supply distributors, the plant has always had top priority among Moscow bureaucrats for materials and imported machinery, as well as capital investment funds, because it caters to industries that are critically important to the economy. This favoritism is likely to be increased because the plant's former director, Vladimir Lukyanenko, has been appointed head of the overseeing ministry.

Further, an unusually high number—18%—of Frunze workers are full or candidate members of the elite Communist Party. "Greater political awareness has made our cadres top performers," says plant party secretary Ivan Zabala. To further stimulate them and make sure workers have a good selection of goods to buy—a rarity in the Soviet context—Frunze has its own farms that deliver beef, pork and greenhouse vegetables to the factory store.

Frunze's main advantage has been Mr. Moskolenko, who as a reform-minded economist spent 30 years devising an alternative to the centralized system and made it work, on the job. Will others do the same? "I don't know," he says, acknowledging that only 1% of Soviet plant directors are trained business managers with an appreciation for economics. "Our directors don't like economics. They don't understand it."

Soviets Set Out to Transform Banking, Making It Active Participant in Reform

Send 4

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Nina Vykhodtseva, head of the Motherland Collective Farm in the fertile Krasnodar region, says her government-run farm has 28 million rubles in the local state bank branch. That's \$43.6 million at the officially set rate, although the ruble isn't freely convertible. But because bank officials are laggard about releasing it, she can't improve efficiency by paving her streets, repairing her dairy, or building an irrigation line to a nearby river.

"Money doesn't bring happiness, but the opposite," the sad-faced Mrs. Vykhodtseva told a Soviet television interviewer recently. Like so many managers in factories and farms across the Soviet Union, Mrs. Vykhodtseva struggles against a stifling financial system where bank bureaucrats don't have any stake in an enterprise's success and don't care whether its state-owned clients languish or set production records.

Beginning Jan. 1, Soviet reformers will implement a financial overhaul that they hope will transform the domestic banking system into an active player in Soviet leader Mikhail Gorbachev's drive to enliven the economy and boost efficiency. It would be the most radical change in Soviet financial and credit policy since the Bolsheviks nationalized private banks in 1917. The changes are intended to overhaul the country's two main financial institutions: the state bank, known by the acronym Gosbank, and the bank for financing capital investment, or Srobybank.

New Specialized Banks

In addition, specialized banks are to be created to respond to Mr. Gorbachev's master plan for economic change, according to Abel Aganbegyan, head of the Academy of Sciences' economics branch and the Soviet leader's chief economic aide. The banks will cater to consumer industry, farming and technology development, as well as to individuals taking advantage of the legalization of limited free enterprise.

In essence, Soviet officials say, banks will be changed from bureaucratic pay agents and financial policemen—a typical orientation for banks in communist countries—into "partners" with state enterprises.

They say this goal is to be achieved primarily by moving state enterprises from dependence on grants from the central budget to greater reliance on credits from state banks, for which borrowers pay interest. Vyacheslav Zakharov, chief of the economic-planning department of the U.S.S.R. state bank, disclosed the policy in a recent interview with Tass, an official press agency.

"The banks will now base their relations with enterprises on credit agreements that will specify their mutual commitments," Mr. Zakharov said. "This will enhance the partnership element in relations between a bank and a client." That shift coincides with Mr. Gorbachev's drive to promote managerial responsibility by making enterprises wholly accountable for profits and losses—self-financing in Soviet economic parlance—while granting local managers greater freedom from central directives in utilizing funds.

Judging Creditworthiness

Mr. Zakharov said the local bank branches will also be self-financing. They will have authority to determine which projects to finance and to judge borrowers' creditworthiness. He said banks will have discretion to grant incentives and interest-rate breaks to influence an enterprise's efficiency.

One influential Soviet economist, Leonid Braginsky, recently wrote in the government newspaper Izvestia that the banks' new functions would pose serious problems for personnel, who haven't a clue as to how real banks are supposed to work.

"Let us note that we have only the most superficial idea of the experience of the work of foreign banks," he wrote. The legal basis of the changes is contained in a joint decree of the party Central Committee and the government Council of Ministers on reorganizing the state banking system. The document was one of 11 decrees adopted early last month aimed at revamping the central economic organs.

At present, the main duty of Gosbank, where every state enterprise is required to keep an account, is mostly bureaucratic. It handles the centrally planned economy's

enormous accounting system and reports divergences from the plan. Mr. Braginsky recently described Gosbank as the biggest bank in the world, with yearly revenue of 3.3 trillion rubles (\$5.3 trillion), or 2.4 times the country's annual gross national product, the total value of goods and services produced.

Low Interest Rates

But in addition to its role as paying agent and financial policeman, Gosbank also issues short-term credits—at very low rates—in the relatively small sum of "many billions" annually countrywide, says Mr. Braginsky.

Srobybank is the country's sole investment bank, distributing funds as stipulated in the five-year plan. Most of the funds are dispersed as grants, with only 4% of the total issued as long-term credits, at an insignificant 0.5% interest rate. Srobybank's chairman, Mikhail Zotov, said in a recent article in Izvestia.

Interest charges on credits were introduced during the 1965 economic reforms under Premier Alexei Kosygin to stem overinvestment and improve efficiency. Neither goal was achieved. Mr. Gorbachev, calling for a radical overhaul of the credit system, complained of this situation when the party leadership met in June. Credits, rather than grants, should play a larger role, the Soviet leader said, so that enterprises would have to be more careful about how they use the money, to ensure that they can pay it back.

Precisely what proportion of investment funds will be based on credits appears to remain in dispute. Mr. Zotov suggested that the figure rise to 20% or 30% from 4%. In answer, Mr. Braginsky called that "utterly incomprehensible." He wrote: "Because credit is the right to obtain additional monetary resources, the proportion of credit cannot be increased by an administrative act."

Mr. Aganbegyan, Mr. Gorbachev's economic aide, said interest rates will differ from sector to sector of the economy, ranging from 4% to 12%. Under the reform, in a sharp departure from current practice, funds can't be borrowed to cover losses from mismanagement, and "no new credits will be granted if a client systematically fails to meet repayment deadlines," Mr. Zakharov said.

Soviet Citizens Gird for Price Increases on Basic Foods

They Don't Quite Believe Assurances Incomes Will Go Up Simultaneously
SEP 16 1987

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Like most Soviet families, Stanislav Andreev, a taxi driver, and his wife, Anna, a bookkeeper in a tire factory, spend more than half their combined income on groceries. When Mr. Andreev heard about Soviet leader Mikhail Gorbachev's plans to double many basic food prices, his response was typical of many Soviets.

"I knew it was coming," he says, looking away from the busy road that rings Moscow and showing his passenger the displeasure in his eyes. "I've had it up to here," he says, drawing a finger across his neck.

Mr. Gorbachev has been selling his program for economic and social renewal on the promise of a better life. Western experts say the planned price increases and other measures, which in the view of workers contradict that promise, could spark a credibility crisis—and even some scattered unrest—dousing grass-roots support for Mr. Gorbachev's reform drive.

To help buy political stability among the working class, the Kremlin for decades has used huge state subsidies to keep the price of many food staples low. Now the Kremlin plans first to abolish subsidies on meat and dairy products—totaling 60 billion rubles annually (\$100 billion at the officially set exchange rate)—and then to balance other retail food prices with the cost of food from state farms.

Reading Between the Lines

While an official announcement on ending the subsidies hasn't been made, senior Soviet officials, in recent interviews, confirmed plans to do so. Soviet workers, who are skilled at reading between the lines, know about the coming price increases from discussions in the official media.

The plan to double the cost of meat, milk, butter and cheese follows other decisions that have sparked noticeable public anger. To cut vodka consumption in the battle against alcoholism, a liter bottle—a treasured solace for many Russians—was more than doubled in price to 15 rubles, or about one-tenth of the average worker's monthly pay. Production was curbed, and half the liquor stores were closed, increasing the average wait in line to three hours.

Mr. Gorbachev has instituted three shifts in many workplaces, upsetting many people's lives. Further, stringent new quality standards have been instituted that have cut many workers' salaries by as much as 25% for failure to produce salable goods. This has led to demonstrations at some factories, including the Kama River truck plant, the Soviet Union's largest diesel-engine plant.

To make the price increases less painful, Soviet officials are promising simultaneous measures to compensate consumers.

Vladimir Chaplanov, who heads the State Committee department responsible for working out those measures, recently told a radio interviewer that any rise in food prices would be accompanied by a balanced increase in wages, pensions and student stipends. He also said the cost of some manufactured goods, such as clothing, would come down. Leonid Abalkin, director of the Institute of Economics and a close aide to Mr. Gorbachev, conceded in an interview that serious consequences might arise if this wasn't done.

Persistent Problem

Food shortages are a widespread and persistent problem in the Soviet Union, and reports of isolated demonstrations when there isn't enough to go around occasionally trickle into Moscow from provincial cities. But Western experts aren't predicting large-scale public turmoil after the price boosts. The unrest involving the Solidarity trade union in Poland got its start when meat prices were raised, but the Soviet population is generally less volatile.

Western officials say the greater threat to Mr. Gorbachev, whose pronouncements on the need to raise living standards outnumber those on any other subject, is a loss of credibility among a populace that suffers from deep-seated cynicism toward official promises and that can torpedo the reforms by passive resistance.

"The only way we can build up reform momentum is if our people see a radical increase in their standard of living, an increase of several times over," says Fyodor Burlatsky, chief political commentator for the newspaper Literaturnaya Gazeta and widely regarded as a confidant of the Soviet leader.

Underlining the tough dilemma Mr. Gorbachev faces as he struggles to make the centrally planned economy more efficient, Mr. Abalkin says that, although it is bound to be unpopular, the price increase "can be considered a scientifically proven necessity." He stresses that the state can't any longer afford the food subsidies and says that the artificially low prices are causing "severe distortions in supply and demand."

Public Discussion

Like other Soviet officials, Mr. Abalkin insists the changes will come only after what he calls "a national public discussion for the formation of public opinion," which he expects to be completed in less than a year. Many Soviet intellectuals describe the "discussion" as a propaganda campaign and say that popular backing for the changes is far from guaranteed.

Many Russians aren't convinced that their incomes will rise at the same time that prices go up, as promised. Says Sergei, an agricultural chemist who asks that his last name not be used, "They're very cunning. They will do these things but the result will be mostly cosmetic."

To give wider importance to the price rises, the state-run media are depicting the increases as the first stage in an urgently needed overhaul of the centrally controlled pricing system. But though the pricing overhaul is the linchpin of Mr. Gorbachev's drive to make the economy more efficient, the intricacies of pricing policy are of little concern to the average Russian.

Social Justice?

The most commonly used official argument for abolishing food subsidies, predictably garbed in ideological clothing, is that it serves "social justice," that is, the subsidies most benefit people who can afford more food, not average workers.

Abel Aganbegyan, head of the Academy of Sciences' economic branch and the Kremlin's chief economic adviser, said in an interview, "Beef sells for two rubles a kilo, but it costs the state four to produce. If someone buys five kilos, look at the gift they get. Is that social justice?"

Economist R. Grinberg, writing in Literaturnaya Gazeta, rejects this argument. "A rise in food costs would lead to a fall in the level of consumption of the least well-off population groups," he says. In a comment reflecting the situation of Stanislav the taxi driver, Mr. Grinberg adds: "It mustn't be forgotten that 40% of families in our country have a monthly income of less than 100 rubles per person."

KGB So Far Escapes Gorbachev's Effort To Reshape and Open Up Soviet Society

APR 13, 1987
By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL
MOSCOW—Under black skies last winter, amber sparks flew from the scaffolding around a building on Dzerzhinsky Square as welders worked nights in sub-zero temperatures to hurry construction of an addition to KGB national headquarters.

The scene typified the special treatment that the KGB—the Committee for State Security—traditionally receives in Soviet society and continues to enjoy under Mikhail Gorbachev. In fact, the KGB is the only state body to have escaped Mr. Gorbachev's criticism—and significant reform—since he launched his campaign to restructure society 2½ years ago.

Western and Soviet sources say the Soviet leader's failure to overhaul the personnel and functions of the secret police bureaucracy severely limits, and could thwart, his policy of *glasnost*, or openness, which Mr. Gorbachev says is crucial to ending the nation's social and economic stagnation.

Challenging the Bureaucracy

Mr. Gorbachev's drive to dismantle central planning boldly challenges the power and privileges of an 18 million-strong entrenched economic bureaucracy. His relentless push for nuclear-arms cuts and more rational military spending challenges the formerly sacrosanct principle of defense at all costs. But toward the KGB Mr. Gorbachev has been limp, taking on the security police just once, and only indirectly, since coming to power.

When KGB agents in the Ukraine falsely arrested one of Pravda's investigative reporters, KGB Chairman Viktor Chebrikov, who is also a member of the party's ruling Politburo, was forced to write an apology that appeared on the party newspaper's front page. Says one senior Western diplomat: "Gorbachev's message was the KGB may be above the people but not above the party."

Some analysts view the KGB as an all-but-independent agency and have written that it's just too powerful for Mr. Gorbachev to confront directly. But Jeremy Azrael, a Soviet specialist at Rand Corp., rejects that view, describing the KGB as an institution that follows orders of the political leadership. It is "an instrument that sometimes enjoys autonomy," says Mr. Azrael, "but certainly isn't a perpetual rogue elephant."

Mr. Gorbachev's ginger stance toward the KGB is often explained as coming from a debt he owes them. This view holds that he rose to prominence on the coattails of former leader Yuri Andropov, who earlier headed the KGB. And experts give credence to widespread rumors that the present KGB boss, Mr. Chebrikov, clinched Mr. Gorbachev's selection as party leader by threatening to unveil secret compromising dossiers on the two other Politburo members vying for the job.

Special Role

Perhaps. But Mr. Gorbachev's careful

handling of the KGB also stems from the special role it plays in Soviet society. Besides gathering intelligence abroad and guarding the U.S.S.R.'s 37,000-mile border, the KGB's 700,000 employees protect state security internally. That mandate, of course, is used as a smokescreen for controlling all aspects of Soviet life while enforcing the Communist Party's political monopoly.

The KGB's tools, popularly referred to as "the organs," include not only an army of plainclothes police and countless paid informants, but also offices that the agency maintains in every government ministry, major industrial enterprise, newspaper and cultural and scientific body. The sign outside these offices reads "First Department," leaving no doubt this is where the ruble stops.

One reason Mr. Gorbachev avoids confrontation with these watchdogs is, ironically, that they play an integral role in administering *glasnost*. The more dynamic and productive society and economy that

he wants to spark by loosening controls over public discourse isn't possible without the cooperation of the police machine that has kept a tight grip on those controls for the past seven decades.

Yet KGB apparatchiks must be conscious that Mr. Gorbachev is asking them to help implement what, to them, is a self-destructive reform. Sergei Grigoryants, chief editor of an independent journal called *Glasnost*, says that as the radical nature of the Gorbachev reforms unfolds, the KGB's awareness of its contradictory position is reaching a critical mass.

Signs of Backlash

"It's clear by now that the KGB is participating in something that would reduce its role in society to a minimum," says Mr. Grigoryants, who is tuned into the secretive organization through a long history of clashes with it. He and other savvy dissidents say they see signs of a backlash.

On the recent anniversary of the birth of the security forces' founder, Felix Dzerzhinsky, KGB Chairman Chebrikov publicly accused the purveyors of *glasnost*—cultural figures and journalists—of having come under the influence of "the secret services of imperialism trying to discover new loopholes to penetrate our society." Alarm was added two weeks later when, at a meeting of editors, the party's No. 2 man, Yegor Ligachev, Mr. Gorbachev's archrival, bitterly condemned the *glasnost* flagship publications *Moscow News* and *Ogonyok*.

Soviet judiciary officials now promise repeal of only one, instead of two as previously rumored, articles in the Russian criminal code that the KGB often uses to arbitrarily silence political dissidents. Article 190-1, covering the less serious crime of "anti-Soviet slander" will go, but article 70, which allows a 10-year prison sentence for "anti-Soviet agitation," will remain on the books.

In Moscow, the showplace of the new Soviet liberalism, arrests under these arti-

cles haven't resumed since they were halted several months ago. But detentions and harassment by the KGB typical of the past are beginning anew.

Tass Charge

Outside a subway station last week, two plainclothes KGB agents picked up a colleague of Mr. Grigoryants who was carrying 30 copies of the latest edition of *Glasnost*, which until then had been permitted to publish unhindered. Tass says "the appropriate organizations" are investigating accusations *Glasnost* was being printed illegally on government printing presses.

In the Soviet capital, the KGB some time ago stopped obstructing news conferences called by private Soviet citizens. But this week, when one was held to announce the formation of a Moscow branch of the International Society for Human Rights, a plainclothes agent accompanied by a uniformed militiaman showed up saying a gathering in a private apartment might disturb neighbors.

Small-scale demonstrations generally have gone unmoled. But last Wednesday, Soviet Constitution Day, a middle-aged couple donned placards a few hundred yards from the Kremlin listing rights violations. Within seconds they were bundled up by plainclothes men and swept away in a police van.

Gorbachev's Stature As Soviet Leader Boosted by Talks

His Opposition to Star Wars
To Be Viewed as Success
At Home, Experts Assert

OCT 11 1986

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL
REYKJAVIK, Iceland—Mikhail Gorbachev has returned to Moscow strengthened in his position as Communist Party leader after the weekend collapse of superpower talks over the issue of the U.S. Strategic Defense Initiative.

Experts on the Soviet Union say Mr. Gorbachev's performance during the superpower summit here and the tough stand he took against SDI will be viewed at home as an important success for the Soviet leader.

"Victory is too strong, but Secretary Gorbachev's colleagues on the politburo will view his stand in Reykjavik as a big success for the Soviet Union," says West German Soviet expert Professor Boris Meissner of the University of Cologne.

Most importantly, the Soviet leader's performance will provide a boost to his domestic authority as he seeks to push through a program of economic and political changes. Soviet officials who accompanied Mr. Gorbachev to the meeting admit Mr. Gorbachev's domestic reform policies are facing resistance from both the Soviet bureaucracy and populace.

Some See Talks as Maneuver

Many Soviet experts and U.S. administration officials believe Mr. Gorbachev invited President Reagan to what was billed as a pre-summit preparatory meeting mainly as a maneuver toward ultimately defeating SDI.

Killing Mr. Reagan's plan for a space-based antimissile defense system stands as the critical foreign-policy goal for the So-

perpower identity.

At great economic cost and sacrifice, the Soviet Union achieved nuclear parity with the U.S. in the 1970s, giving it greater influence and the right to be viewed as an equal with the U.S. in world politics. If SDI were to succeed, the Soviet Union could be pushed back to a position as a second-class superpower and lose those hard-won gains and influence.

Appearing resolute and somewhat triumphant at a news conference, after what he described as a "rupture" in the talks, Mr. Gorbachev charged that the U.S. "believes very much in its technological superiority, that it will make a breakthrough in SDI" toward "a new class of weapons of mass destruction."

Laser, particle beam, and X-ray weapons that military specialists say could be developed from SDI technology strike at the core of Soviet fears of losing weapons equality with the U.S.

In his news conference, Mr. Gorbachev indicated that he views Mr. Reagan's dedication to SDI as a symbol of the president's unwillingness to accept the Soviet Union as an equal partner in world affairs.

Having shown his willingness to forgo

a sweeping package of potential arms agreements, rather than approve SDI tests in space, Mr. Gorbachev dramatized the strength of his intent to stop SDI. By doing so, some analysts said, he moved the Soviet Union one step closer to realizing that goal.

viet Union's top political leadership.

Analysts say that ever since Mr. Reagan announced his plan in March 1983, Kremlin leaders have deeply feared SDI—which the Soviets refer to as space-strike weapons—as a threat to their existence as a superpower.

Several Soviet analysts said that while Mr. Gorbachev failed, as he had at last November's summit in Geneva, Switzerland, to convince Mr. Reagan to abandon SDI, it is highly improbable that anyone in the Soviet leadership actually believed Mr. Reagan could be shaken from his position.

But they say the momentum that Mr. Gorbachev's firmness in Reykjavik may give to public opposition to SDI in the U.S. and Western Europe will be viewed as a powerful boost for the Soviet campaign to halt Mr. Reagan's plans.

Soviet's Identity as Superpower

Against a background of severe economic and other systemic weaknesses, the Soviet leadership is forced to rely on its offensive nuclear capability to prop up its su-

Gorbachev Fights Conservative Elite. . .

By MARK D'ANASTASIO

Staff Reporter for THE WALL STREET JOURNAL

Soviet leader Mikhail S. Gorbachev's drive to modernize Soviet society appears to be running up against stiffening resistance within the Communist Party's ruling hierarchy.

JAN 15 1987

After nearly two years in power, party General Secretary Gorbachev remains locked in a struggle with the party's conservative elite, according to Soviet experts. That conflict threatens to delay indefinitely or even quash some of his initiatives to get the economy moving and to end some of the more glaring inequalities of the system, they say.



Mikhail Gorbachev

"Gorbachev's position as party leader is secure," says Stephen F. Cohen, an authority on Soviet politics at Princeton University. "But his ability to build a consensus for the 'deep transformations' that he's called for remains in question."

Mr. Gorbachev, having removed hundreds of bureaucrats and top officials opposed to change, has progressed more swiftly than any previous Soviet leader to consolidate power since his installation in March 1985. At the same time, though, his slowly emerging agenda for economic and political renewal has put unusual strain on his support.

Academic experts with long firsthand knowledge of the Soviet Union say Mr.

Gorbachev will have to orchestrate several more top-level shake-ups before he achieves the broad support he needs to implement his main ideas. They expect the first of these to occur fairly soon.

The reshuffling would have to take place at a plenary session of the party's Central Committee, and it is Mr. Gorbachev's extraordinary delay in calling such a meeting that provides the clearest evidence of the struggle that is taking place.

Last year, the Soviet leader repeatedly declared his intention of convening a plenum before October to consider "personnel questions." But his slowness to act suggests that he's keenly aware of the strength of the opposition and its potential for disrupting his plans.

"It is perhaps unprecedented that a general secretary called publicly for a plenum which then did not occur," says Dmitri K. Simes, senior associate at the Washington-based Carnegie Endowment for International Peace. "It is a sign of deep intraparty conflict."

Not-So-Fond Farewell

When the next plenum finally does get under way, experts say, the first point of business will be the removal from the ruling 12-man Politburo of Dinmukhamed A. Kunayev, a crony of former party head Leonid Brezhnev. Mr. Kunayev was ousted last month as party chief of Kazakhstan. His replacement, Gennadi V. Kolbin, whom Soviet officials describe as "a man in the Gorbachev mold," would probably be given Mr. Kunayev's Politburo seat.

Other rumored changes include the possible transfer of Foreign Minister Eduard

A. Shevardnadze, an intimate ally of Mr. Gorbachev's, to head the KGB. The new head of the Foreign Ministry could be Alexander N. Yakovlev, a party secretary who has risen behind the scenes as a chief architect of Mr. Gorbachev's innovative foreign policy.

Current KGB chief Victor M. Chebrikov could be put in charge of the Ukrainian republic party organization, displacing Vladimir V. Shcherbitsky, another Brezhnev-era apparatchik who has resisted several attempts by Mr. Gorbachev to dislodge him both from the regional post and from the Politburo.

The Main Worries

Most threatening to party conservatives have been Mr. Gorbachev's calls for greater media openness, or *glasnost*, about Soviet social problems, relaxation of censorship in the arts, and demands for more accountability and probity from party officials. Old-guard anxiety has been sparked also by moves toward legalizing joint business ventures with Western firms and efforts to decriminalize the vast underground market in consumer goods and small-scale services.

Another sign that Mr. Gorbachev's program has run into trouble was the government's failure to publish by a promised Jan. 1 deadline new legislation on joint ventures. Yet another indication is the stony official silence about a proposal made at the beginning of this year to expand further the role of the private sector.

But the continuing delay in convening a plenum is what most intrigues Western analysts. The Central Committee is currently composed of 307 leading representatives of the 18 million-member Communist Party, the country's monopoly of political power. Princeton's Mr. Cohen describes the group as "the party's top legislative body, a sort of court of last resort."

While Mr. Gorbachev was able to replace two-fifths of its membership at elections during the 27th party congress last February, 125 members are holdovers from the 18-year tenure of Leonid Brezhnev. Under Mr. Gorbachev, Mr. Brezhnev and his cronies have been blamed for an

accumulation of economic, political and social problems which Mr. Gorbachev says threatens the country's very status as a superpower.

Motive Is Unclear

Soviet experts differ in their views on why Mr. Gorbachev so far has declined to call a plenum.

"It may just have been the combination of Alma-Ata and Shanghai," says Jerry Hough, a prominent Soviet specialist at Duke University. He was referring to the anti-Russian riots that broke out Dec. 19 in Kazakhstan, whose capital is Alma-Ata, following the removal of Mr. Kunayev as head of the republic's party organization, and to student demonstrations in the Chinese city earlier that month.

Mr. Hough said the Alma-Ata disturbances exacerbated already sharp policy debates between conservatives and more

pragmatic Central Committee members. He also speculated that the Soviet leader may have decided to distance himself from the Central Committee for a while as a tactic to emphasize its subordination to the ruling Politburo, the party's chief policy-making body.

"It could be that for now Gorbachev is trying to deep-six the Central Committee," Mr. Hough says.

Other experts discount this theory, arguing that the elite body is too important for him to ignore. It's just that, for the moment, a majority of its members probably oppose some of his main liberalization moves, these analysts say.

In particular, there is little attraction for Mr. Gorbachev's desire to see a mandatory retirement age for some party job holders and a reduction in special privileges for party members.

"Gorbachev has profound contempt for many people who run the party machinery and they know it," says Mr. Simes.

Mr. Simes says Mr. Gorbachev may be delaying the plenum until he's confident of being able to make the changes he wants.

"Gorbachev's style is the dramatic gesture," says Mr. Simes. "A big victory at the plenum would be a cue to those standing on the sidelines to join his bandwagon."

Gorbachev Asks Major Revision In Voting Rules

Secret Ballot in Elections, A Choice of Candidates Sought by Soviet Leader

JAN 28 1987

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

Mikhail S. Gorbachev, in a continuing drive for what he describes as a "democratization" of Soviet society, has proposed that Communist Party officials be elected by secret ballot and that more than one candidate be permitted to run for each office.

The proposed changes would be a sharp departure from established practice, which provides a single candidate for each party post who is ritually endorsed at party meetings by a unanimous show of hands.

Soviet experts say implementation of the proposals, assuming Mr. Gorbachev manages to overcome opposition to them, could be delayed until the convening of a party conference, a rare gathering of about 5,000 party officials, that he has called for next year. Because such a meeting hasn't been held since 1941, Soviet experts see this as evidence of the importance that Mr. Gorbachev attaches to the changes. The 1941 conference was called four months before the Nazi invasion of the Soviet Union.

The Soviet leader appears to be gambling that opening up the traditionally closed Soviet political process would help counter widespread resistance to his program for economic modernization.

"Gorbachev believes his reform program has strong popular appeal," said Jerry Hough, a prominent analyst of Soviet politics at Duke University. "He's confident that opening up the political process a little will attract more people who support his ideas and not those of his conservative opponents."

Mr. Gorbachev's push for changes in electoral procedures in the Soviet Union's single-party political system came yesterday in his opening speech at a plenary session of the Communist Party Central Committee, which was convened to discuss "personnel questions."

The Soviet leader had sought this plenum since last October but was unable to convene the meeting because of strong high-level opposition to his stated goals for the gathering.

When the plenum closes today or tomorrow, Soviet watchers say, the Soviet leader can be expected to announce the "retire-



Mikhail Gorbachev

ment" of members of the ruling Politburo who are widely regarded as the rallying point for entrenched old-guard resistance to his modernization program. This would open slots that Mr. Gorbachev could then fill with officials who favor his policies.

Similar electoral experiments have been tried in Eastern European communist countries on a limited scale, and more recently, proposed in China.

Candidates for party posts from the Politburo down to the factory level are currently selected by the party leadership. Real political involvement is limited by the membership of only 10% of Soviet adults in the 18 million-member Communist Party.

Mr. Gorbachev specified that the new electoral procedures should apply to party first secretaries of the nation's 15 republics and of all the nation's regional, city and district party organizations. These officials make up the backbone of the Soviet political elite.

In a move that has stunned analysts, Mr. Gorbachev suggested that the new rules govern all levels in the party's hierarchical system, including "the highest party organs in Moscow." Experts said Mr. Gorbachev was raising the possibility that both the ruling Politburo, which he as general secretary heads, and the powerful party secretariat, could also be elected in less restricted procedures.

Modernizing Policy

"It is necessary to seriously renovate personnel policy, rid it of deviations and shortcomings, and make it truly modern, more vigorous and purposeful," Mr. Gorbachev told the Central Committee, which comprises about 300 top party representatives.

In the state sector, which runs parallel to the party and in practice, if not in theory, is subordinate to it, Mr. Gorbachev suggested that more women, young people and citizens who are not members of the Communist Party should be elected to government office. Currently, only one-quarter of the deputies to the Supreme Soviet, the nominal parliament, are non-party.

All candidates for the Supreme Soviet now are carefully vetted by party committees and only a single candidate for each position is provided on the ballot, creating what Soviet watchers sometimes refer to as a "democratic fiction." Calling for "more effective and real participation of voters in all stages of the pre-election and election campaigns," Mr. Gorbachev proposed that limit on the number of candidates be dropped.

Pressure on Opponents

"These moves show Gorbachev is not intimidated by his opponents," says economist Marshall I. Goldman, associate director of Harvard University's Russian Research Center. "In his view, broader political participation will mean more whistle blowers to attack the corruption and cronyism he says is blocking Soviet economic development."

In a move apparently aimed at applying public pressure on opponents of his proposals, which Mr. Gorbachev said had been drafted by the Politburo, the Soviet leader said his recommendations would be published for nationwide debate.

INTERNATIONAL

Soviets Are Said to Practice Deception To Show Their Economy Is Improving

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Official statistics on the Soviet Union's economic performance have been distorted since Mikhail S. Gorbachev came to power two years ago, vastly exaggerating progress made under the Soviet leader's new economic policies, Western experts said.

In the past, "contrary to what many people think, Soviet economic figures have always been correct, if biased," said Jan Vanous, president of Washington-based Planecon Inc., which tracks the economies of the Soviet Union and Eastern Europe. "But under the Gorbachev leadership there has been an outright effort to deceive with these data."



Mikhail Gorbachev

Ed Hewitt, a senior fellow at the Brookings Institution in Washington and an authority on the Soviet economy, said he reached the same conclusion as did Mr. Vanous. "There's something terribly wrong with their numbers," Mr. Hewitt said. "The Central Statistical Administration has to recognize the serious discrepancies," he added, referring to the Soviet agency that collects and publishes all Soviet statistics.

Philip Hanson, an expert on the Soviet economy at England's University of Birmingham, said: "The statistics have become very dicey over the past two years. We've never seen so much fudging and distortions."

Some Western experts contend that Mr. Gorbachev, who begins his third year in office tomorrow, may be more the victim than the author of the data falsification.

Said Mr. Hewitt: "From what we know about Gorbachev, he can't be interested in science fiction from his statistical reporters." Commented Mr. Vanous: "I don't think the disinformation is aimed at the West. It's for domestic purposes. Gorbachev is the victim of this."

These experts speculated that officials at the U.S.S.R. Central Statistical Administration, known by the Russian initials TSSU, and at the State Planning Committee, or Gosplan, where tough new demands placed on bureaucrats have sparked sharp resistance to Mr. Gorbachev's economic policies, may have conspired with conservative senior party officials who oppose change. TSSU officials couldn't be reached immediately for comment.

"To depict accurately the state the Soviet economy is in would validate Mr. Gorbachev's calls for radical change," said Mr. Hewitt. "Faking progress is another way of saying, 'We're doing OK, so let's not change.'"

Mr. Hanson of the University of Birmingham said he sees more possible complicity on the part of the leadership. "I see these figures as being, if not consciously agreed upon by the leadership, then at least consistent with the emphasis the Politburo itself is placing on the need to show good performance quickly in order to win support for Gorbachev's policies," he said.

Mr. Vanous's doubts about Soviet statistics were published last month in a report titled "The Dark Side of 'Glasnost': Unbelievable National Income Statistics in the Gorbachev Era." Glasnost, the Russian word for openness, has become the Gorbachev leadership's codeword for more accurate published information. Its aim is to promote official accountability and a rudimentary form of checks and balances, mostly lacking in the Soviet system.

But, Mr. Vanous said in an interview, "Glasnost hasn't hit the realm of official reporting from the TSSU. The figures that Soviet leaders, and the world, use to measure performance under Gorbachev can only be viewed with utmost skepticism."

Mr. Vanous noted the trend by monitoring the official 1985 and 1986 Soviet statisti-

cal yearbooks, or Narkhoz, and the year-end national economic reports published in Pravda. Using this official data, he recalculated the key aggregate statistics and derived numbers that differed significantly from the aggregate indices published in the same Soviet texts.

"It's never happened that the Soviets would publish such blatantly inconsistent numbers," said Mr. Vanous. "It looks to me like a bungled attempt at economic disinformation . . . There's been an extraordinary breakdown in their statistical reporting."

For example, according to Narkhoz, national retail trade grew in real terms by 4.3% in 1985 and by 6.4% last year. Mr. Vanous's figures, corroborated by Mr. Hanson and Mr. Hewitt, are 1.6% and 0.5% respectively, down from 3% in 1981-1984.

Retail trade has been hard hit by Mr. Gorbachev's anti-drinking campaign. Revenue from alcohol sales accounted for almost 17% of total retail turnover in 1984, but dropped sharply after prices were raised and production was cut.

"With state turnover taxes taking 85%-90% of the value of alcohol sales . . . the tax revenue from alcohol sales was enough, at least prior to 1984, to cover about one-half of the cost of the total defense budget," Mr. Vanous wrote.

The strain is being felt throughout the economy. "The authorities, both central and local, have had to stand more than one attack by financial bodies pressing for holes in the budgets to be stopped with increased vodka sales," Tass, the official press agency, recently reported.

Distortions in retail sales figures were carried over into statistics on national income. Officially, Moscow reported growth of 3.1% in 1985 and 3.6% last year in domestically used net material product, or NMP, the basic Soviet index analogous to gross national product in the West. GNP totals the value of goods and services produced by an economy, while NMP excludes most services.

But according to the Western experts, who calculated the index based on official Soviet data, the real growth figure was 0.8% for both years.

Having inflated the growth in domestically used NMP, the TSSU had to perform a similar fix on the production side of national income. Growth in so-called NMP-produced was officially reported at 4.1% for 1986. Mr. Vanous estimated this NMP figure "is something like 1.5%, which would be the worse performance of the Soviet economy" since World War II.

Distortions of key aggregate economic statistics could hamper the Soviet Union's efforts to participate more broadly in the international economy, including membership in the General Agreement on Trade

Gorbachev Moves to Consolidate Control of Military, Foreign Policy

Defense Ministry Is Shuffled After a Foreigner Lands Airplane in Red Square

JUN 1 1987

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—The choice of a politically unknown army general as new Soviet defense minister strengthens Mikhail Gorbachev's control over the formulation of military and foreign policy.

The decision "knocks Gorbachev's consolidation of power up a notch," a Western diplomat said about the appointment of Gen. Dmitry Yazov, a junior member of the military leadership, as defense minister following the ouster of Marshal Sergei Sokolov. The Soviet leader "will have less challenge and more leeway so he and his cohorts can do things their way," the diplomat said.



Mikhail Gorbachev

The 75-year-old Marshal Sokolov, who is believed to be ill and had been expected to be retired later this year, was abruptly fired at an emergency meeting of the ruling Politburo Saturday. He was ousted—officially pensioned—after Soviet Air Defense Command interceptors allowed a Cessna light plane piloted by a 19-year-old West German flight hobbyist to hedgehop 500 miles in broad daylight over Soviet territory and land at the foot of the Kremlin wall in Red Square.

The pilot, Mathias Rust of Hamburg, remained in police custody after flying from Helsinki, Finland, without any interference from Soviet forces before touching down near the seat of Soviet power. After the incident, the head of the Soviet Air Defense forces, Chief Marshal Alexander Koldunov, 63, also was fired.

Placing Blame

Mr. Gorbachev, who called the Politburo meeting just hours after returning from the Warsaw Pact summit in East Berlin, rapidly seized the opportunity to shift all responsibility for the humiliating affair onto defense officials. Some Western sources called the Soviet leader's move a political tactic to diminish the military's prestige as Mr. Gorbachev seeks to edge it out of security and foreign-policy formulation while concentrating authority in his hands and those of two key advisers, Party

Secretaries Alexander Yakovlev and Anatoly Dobrynin.

As evidence of the military's waning influence, Western officials pointed to an extended unilateral Soviet nuclear test moratorium, which ended in February and was believed to have had the military bridling as the U.S. continued testing and improving weaponry, and Mr. Gorbachev's drive to negotiate the removal of all superpower medium-range nuclear missiles from Europe.

In Washington, senior U.S. officials said Mr. Gorbachev's quick action indicates that the Soviet leader will continue to use the incident to clean house in the military and to extend his own control.

"He's been handed an opportunity on a silver platter to get the personnel changes he's long wanted," a senior Reagan administration official said. "My confidence in his ability to roll over his internal opposition has gone up. His actions this weekend were demonstration of real strength."

Changing Image

A campaign to deflate the formerly sacrosanct military's image, presumably sponsored by Mr. Gorbachev's supporters, had already begun in the official press a month ago with a series of attacks on the armed forces' efficiency and readiness to defend Soviet security. That campaign was stepped up yesterday in the Defense Ministry's official newspaper Krasnaya Zvezda, or Red Star.

Reducing the institutional clout of the military—the 63-year-old Gen. Yazov's only political position is nonvoting membership in the Communist Party Central Committee—will also strengthen Mr. Gorbachev's hand in his critical effort to stabilize growth in Soviet defense spending.

Western officials said that unless Mr. Gorbachev can curb the military establishment's growing appetite for money, he will be unable to redirect investment to the civilian sector and thus fail in his drive to restructure the faltering economy. (Soviet defense spending as a portion of gross national product rose to between 15% and 17% in 1982 from 12% to 14% in 1970, according to U.S. Defense Department estimates.)

U.S. officials said Mr. Gorbachev's choice as new defense minister is a clear indication that he intends to keep the military under largely apolitical leadership that will follow his instructions. Mr. Gorbachev also is likely to gain better control over the fight between the civilian and military sectors for the Soviet Union's resources. Mr. Yazov was moved to Moscow in February, and he doesn't enjoy an independent political base in the country.

Before Mr. Gorbachev formally came to power but when he was believed to be act-

ing party boss under ailing leader Konstantin Chernenko, Armed Forces Chief of Staff Marshal Nikolai Ogarkov was dismissed in September 1984 after vigorously expressing the army's need for a new range of expensive high-technology conventional weapons.

Under Marshal Sokolov's stewardship as defense minister, beginning three months later, the Soviet military's political leverage was further reduced.

Appointed as an interim choice after the death of Marshal Dmitri Ustinov in December 1984, three months before Mr. Gorbachev took power, Marshal Sokolov maintained a low political profile. He was appointed a candidate member of the ruling Politburo in April 1985, but never achieved the full voting status won by Marshal Ustinov, a civilian who became one of the most powerful men in the Kremlin during his eight years as defense minister.

Gen. Yazov most recently served several months as a deputy defense minister for personnel. Western officials say there is no direct evidence of any association between Gen. Yazov and Mr. Gorbachev. But they say the two may have become acquainted when Gen. Yazov was commander of the Far East military district, which Mr. Gorbachev visited last year.

Mr. Gorbachev could dramatize his drive to limit military influence over policy making by refusing to elevate Gen. Yazov to full membership in the party Central Committee at a plenum of the committee scheduled to take place later this month.

Gorbachev Economic Plan Called Radical

Despite Support, Manifesto's Fate Is Uncertain

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Despite staunch resistance, Mikhail Gorbachev issued at last week's meeting of the Soviet Communist Party leadership a manifesto calling for economic changes that Western experts say would be genuinely revolutionary—if carried out.

The Soviet leader issued the document at a plenary session of the party's Central Committee, held last Thursday and Friday. But his ability to gain formal acceptance of the document as a statement of party policy from the Central Committee, which is composed of top party officials from all over the country, doesn't indicate that Mr. Gorbachev's chances of implementing reforms have significantly improved.



Mikhail Gorbachev

There also is no clear evidence that the addition, announced at the meeting, of three likely supporters of the Soviet leader to the ruling Politburo will substantially improve his prospects of overcoming what he calls saboteurs within a party deeply divided on economic reform.

Mr. Gorbachev didn't manage, Western officials note, to remove any of the five Politburo oligarchs who held seats on the ruling body before he took control in March 1985.

Moreover, as the Soviet leader himself noted at the meeting, high officials, once appointed, often tend to protect their own institutional power base rather than their original benefactor.

Thus, while the issuance of the manifesto and the new Politburo appointments represented greater success for Mr. Gorbachev at the plenum than some analysts had expected, his gains were limited.

At best, Western analysts say, Mr. Gorbachev has demonstrated that he retains authority to set a political course for radical economic change in the face of widespread opposition, and that he can exercise his prerogative to broaden the Politburo's membership.

But the Soviet leader now has to produce results in a hurry or risk forfeiting his authority. The document he issued sets 1989 as the deadline by which its proposed structural economic reforms "must be completed."

"Gorbachev is playing for broke," says one West German official. "He's giving himself two years."

Analysts say Mr. Gorbachev's 37-page manifesto contains no essentially new elements. "What it is, is not much more than the first coherent elaboration of what Gorbachev has been talking about for two

years," says a Western analyst.

Nonetheless, if the proposed reforms are implemented, they would represent a significant restructuring of the country's economy and a step in the direction China has taken, toward economic decentralization.

Mr. Gorbachev's document details a long-range plan for wresting basic authority for economic management and decision-making away from Moscow's central planning organs and handing it over to the 48,000 local enterprises that comprise the Soviet economy.

The document, according to Western analysts, is in no way legally binding. These sources, knowledgeable about party practice, say it amounts to little more than a directive on policy, "a declaration or map for party discussions on the economy," in the words of one source.

Further, there is no concrete evidence that Mr. Gorbachev's manifesto was actually supported by the Central Committee, whose members don't make party policy but do have the greatest responsibility for implementing it across the nation. Though the committee formally endorsed the manifesto in the final communique of the plenum, the debate on the document is kept secret.

Genuine economic reform will depend not on broad party declarations, such as the Gorbachev manifesto, but on the effective implementation of specific economic legislation.

A draft law on state enterprises, the centerpiece of Mr. Gorbachev's legislative program, was put into final form at the plenum and will be adopted by the country's rubber-stamp parliament today. It gives factory managers authority to set their own production plans and choose their own suppliers, while allowing them broad latitude in determining prices.

The law will take effect Jan. 1. But after heated debate at the plenum, the draft has emerged in a form that could reduce it to "just another in a series of meaningless decrees," says one Western expert.

A key problem with implementation is that the new law "contradicts all existing laws governing economic decision-making," says an economist at a leading Moscow research institute.

To overcome the contradictions, Mr. Gorbachev proposed at a June 8 party meeting to add an article to the new law that would declare invalid all existing laws that conflict with it. However, he failed to win approval for his proposed addition at last week's plenum.

At the plenum he demanded, in apparent angry frustration, that "there must be no lack of clarity in the question of the legality or illegality" of his proposed measures. Rather lamely, he said that all contradictory laws "apparently should be annulled after the adoption of the law."

Mr. Gorbachev also felt compelled to warn that "one should not allow the new

law, as it frequently happened in the past, to be accompanied by numerous instructions that may render it without meaning and let the reconstruction drive drop."

At a news conference following the close of the plenum, academician Abel Aganbegyan, among the Soviet leader's closest economic advisers, complained about the debate on the draft law at the meeting. "Many proposals on the draft law were contradictory. I cannot say I am in full accord with everything," he said. "But either we adopt a draft law, or we continue discussing everything for another half a year."

Another major hurdle for Mr. Gorbachev will be passage of a package of 11 draft decrees designed to take away from central economic organs the decision-making rights that the draft law on enterprises awards to local managers. Continuing disputes within the Politburo prevented Mr. Gorbachev from submitting the drafts to the plenum for endorsement.

Mr. Gorbachev has stated that "the law on enterprises won't begin to function unless" these draft decrees become law.

Mr. Aganbegyan expressed confidence that all 11 documents would be passed as joint decrees of the Central Committee and Council of Ministers by October. But all discussion of the controversial documents remains off limits to the public, so there is no way of independently determining what the prospects really are of overcoming high-level disagreement.

Even if the decrees are passed, implementation would be difficult. The decrees would require hundreds of thousands of entrenched bureaucrats to relinquish their power and privileges as the functions and personnel of their departments are radically cut back.

At the plenum, Mr. Gorbachev's chief domestic and foreign policy adviser, Alexander Yakovlev, and the party's top economic official, Nikolai Slyunkov, were elevated from candidate to full members in the Politburo, and Victor Nikonov, the party's leading agricultural official, was appointed to the ruling body.

But one Western diplomat says: "Getting rid of potential opponents, not adding potential supporters, is the mark of a party boss's power."

Demonstration At the Kremlin Tests Glasnost

Unhappy Groups May Use Openness Policy as Way To Air Their Grievances

JUL 27 1987

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—The unprecedented vigil outside the Kremlin by Tatars demanding to see Mikhail Gorbachev poses a tough test for the Soviet leader's policy of openness that Western analysts say was inevitable and probably will be repeated by other groups.

Waving blue and white banners declaring "homeland or death," about 300 protesters called for restoration of what was once an autonomous republic on the Black Sea Crimean Peninsula, where their nationality's Turkic language and customs were officially recognized. Josef Stalin abolished the Crimean Tatars' centuries-old homeland in 1944 and deported 250,000 residents to Soviet Central Asia, in effect accusing their entire nation of collaborating with German occupation forces.

The demonstrators, who traveled to Moscow on behalf of Crimean Tatars now dispersed through Soviet Uzbekistan, are exploiting Mr. Gorbachev's less-restrictive policy of openness, called *glasnost*, to gain attention for their struggle to return to their homeland. But Western analysts note that *glasnost* is intended more to promote the reform agenda of the Communist Party than the demands of unhappy minorities.

"It's inevitable *glasnost* will be tested by many groups who feel they've been done an injustice," said a Western diplomat in a large crowd of bystanders observing the protest. The dark-skinned Tatars sat in the hot sun in a parking area encircled by two dozen police buses and an outer ring of a hundred militiamen as their leaders negotiated with officials in shirt sleeves. "Gorbachev could fail at using *glasnost* for his own purposes if it doesn't work to serve some minority interests too," the diplomat added.

Avoiding Challenges

Soviet leaders want *glasnost* to foster debate aimed at weakening elements of the Soviet system that have caused the nation's economic decline. But they have carefully avoided taking steps to control the police and KGB security forces' reflex

to quash all displays of independent thought, lest they invite challenges from an array of disaffected nationalist and religious groups, especially in the Ukraine and the Baltic states and among Moslems.

So far, authorities have won high marks in managing the Tatar protest. The group was permitted Friday to march on Communist Party headquarters in nearby Old Square, unthinkable just a year ago. When protesters, chanting "Gorbachev, Gorbachev," broke from the vigil site at the Kremlin's Spassky Gate Saturday to make a rush on Red Square, brief scuffles with unarmed police left no injuries, eyewitnesses said.

And to underline the state's benign attitude toward the group, the government last week announced formation of a commission headed by President Andrei Gromyko to study their demands. The last government action on the Crimean Tatars was a parliamentary decree in 1967 restoring their constitutional rights. The demonstrators disbanded Sunday evening after one of their leaders, Reshat Dzhemilyov, accepted an offer passed on by national police chief Alexander Vlasov to meet today with Mr. Gromyko.

Western observers say that in addition to bolstering *glasnost*, the sympathetic treatment being shown the Crimean Tatars is motivated by other factors. In Mr. Gorbachev's broader campaign to root out the debilitating legacy of Stalinism, primarily the stultifying centralized economic system, publicizing reminders of the dictator's brutal excesses—Western historians say 100,000 Crimean Tatars died during deportation to Uzbekistan—works in Mr. Gorbachev's favor. The government news agency Tass didn't only refrain from criticizing the demonstrators, it said their wholesale deportation was "unjust."

No Freedom to Demonstrate

Yet even the most liberal Soviet commentators don't pretend the new policy sanctions the Western democratic style freedom to demonstrate. Writing recently in the Communist Party daily Pravda, political observer Fyodor Buriatsky, a member of Mr. Gorbachev's inner circle of reformers, said, "The demands for an unlimited 'right to demonstrate' advanced by local nationalists" reflect "anarchy, disorder and uncivilized political culture."

Nor do average Soviet citizens look forward to the institution of such a right. Among the thousands of passers-by who watched the demonstration Sunday with the multicolored onion domes of the 15th century St. Basil's Cathedral in the background, the comment of Georgi, a metal worker from Ryazan, was typical:

"If you let one group make a big noise then everyone with a complaint will want to do the same. We can't allow that." Georgi said he wasn't concerned about disorder because "we have crack police."



Mikhail Gorbachev

Soviets Implement Law to Curtail Power of State Economic Planners

Series of Decrees Paves Way For Economy's Overhaul Envisaged by Gorbachev

AUG—7 1987

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Legislation aimed at dismantling much of the power of Soviet central planners has been adopted and put into effect, the Kremlin's top economic adviser said.

The new law, which consists of 11 decrees, paves the way for an unprecedented transformation of Soviet society, Western analysts said. It apparently encountered bitter opposition before it was approved Monday in the form of joint resolutions by the Communist Party Central Committee and the government Council of Ministers.

The measures would free many prices from central control, introduce wholesale trade as an alternative to administrative distribution of industrial supplies, and institute a network of banks so that business enterprises would borrow funds instead of relying on state grants.

The legislation completes the legal basis for sweeping economic changes ordered by Soviet leader Mikhail Gorbachev at a meeting of top party officials in June. The importance of the decrees is that they take away from central authorities the rights that a law designed to implement the Gorbachev program assigns to local managers.

Besides taking away much decision-making authority, and thus power and privileges, from important government agencies, it could lead to layoffs of hundreds of thousands of bureaucrats in central-planning agencies and in the about 60 ministries whose main job is to direct production by handing down minutely detailed instructions to grass-roots managers.

The decrees' adoption was revealed yesterday in an interview by Abel Aganbegyan, who heads the U.S.S.R. Academy of Sciences' economic department, the elite think tank that oversees economic research for Mr. Gorbachev's economic program.

"I'm announcing officially that the decrees were approved the other day," said Mr. Aganbegyan, who has risen in the past year to be the Soviet leader's top economic aide. "They have started to take effect in the ministries and other central economic bodies."

The Soviet press has made no mention of official approval of the decrees, and Western diplomats expressed surprise at learning they had been accepted with none of the fanfare that has accompanied previous stages of Mr. Gorbachev's drive to overhaul the economy. "These changes

could gut the central economic bureaucracy," said one official.

But Mr. Aganbegyan, who is 57 years old, said an official announcement wasn't necessary. Next week, he said, 600,000 booklets containing the texts of the decrees will be distributed. Underlining his authority to comment on the matter, he said he heads the section of a state planning board commission that worked on drafting the documents for more than a year.

Describing them as forming "one organic whole for economic restructuring," he said they represent a critical achievement for Mr. Gorbachev. "For the first time we have a total conception of economic reform embodied in law," he said.

Other Soviet commentators, though they hadn't seen the documents, were less optimistic. "I'm sure our central management bodies aren't ready for these new laws," said Fyodor Burlatsky, chief political observer for the newspaper *Literaturnaya Gazeta*. "We're still having colossal problems building a general conception for restructuring."

Soviet legal experts say the form the decrees took—joint resolutions of the Central Committee and the Council of Ministers—is reserved for the most important state decisions and carries the double force of party directive and legal act. But in contrast to laws passed by the Soviet parliament, they are intended to provide guidelines for gradual accommodation rather than immediate change.

The decrees have been the object of Western diplomatic curiosity since they were first mentioned in an article in the Communist Party newspaper *Pravda* about a June 9 party economic conference. At that meeting, Mr. Gorbachev announced that 11 draft decrees had been prepared for revamping "Gosplan [the state planning board], banks, the Ministry of Finance, State Committee on Prices, Committee on Labor and other government departments." The others, Mr. Aganbegyan said, are the Central Statistical Board, the Committee on Science and Technology, the State Supply Committee, branch ministries, regional bodies, and the Council of Ministers.

The decrees are meant to complement the cornerstone of Mr. Gorbachev's economic program, the Law on Enterprises, which was endorsed by a plenary session of the party Central Committee on June 26. The law will come into effect in January and apply to all 48,000 state enterprises by 1991. It will make companies responsible for their own profits and losses and free them from day-to-day supervision by the state.

Gorbachev Bends to Hard-Liners By Hedging His Attack on Stalin

NOV 03 1987

But Soviet Leader Reaffirms Desire for Arms Control In Much-Awaited Speech

By MARK D'ANASTASIO

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—Soviet leader Mikhail Gorbachev appeared to yield to internal opponents and take a step back from his policy of *glasnost*, or openness, in a speech surveying Soviet history since the 1917 Bolshevik revolution.

Still, Mr. Gorbachev used his speech, opening a week of pomp and ceremony marking the revolution's 70th anniversary, to reaffirm his commitment to pursue nuclear-arms agreements with the U.S. Mr. Gorbachev, who has agreed to sign a treaty abolishing intermediate-range missiles at a summit with President Reagan beginning Dec. 7, asserted the pact "will show that it is in fact possible to advance" toward reducing nuclear weapons "without prejudice to anyone's interests."



Mikhail Gorbachev

The Soviet leader's overview of Soviet history had been widely awaited as an event that would clear away some past official falsifications and thereby give a powerful stimulus to the new spirit of public debate he has sparked. Expectations were high because of Mr. Gorbachev's promise last February that *glasnost* would leave "no blank pages in Soviet history."

But his three-hour speech presented a picture of the country's development that differed little from propaganda tracts of earlier years.

Western analysts said Mr. Gorbachev's failure to breathe new intellectual honesty into the country's account of its troubled past signals that he has been thwarted by opponents urging a slower and less radical path to internal reform. These opponents fear that too much frankness could undermine the Communist Party's authority with the people. "Mr. Gorbachev is retrenching to build more unity in the party," said one senior Western diplomat.

Diplomats said the Soviet leader has come under increased pressure to proceed more cautiously since July, when Crimean Tatars, calling for a restoration of what before Josef Stalin had been their autonomous republic, demonstrated in Moscow's Red Square, dramatizing how much Mr.

Gorbachev had aroused popular hopes for change.

More recently, Yegor Ligachev, the party's No. 2 man and the head of the leadership's conservative faction, has repeatedly warned against too much openness on the darker periods of Soviet history. Mr. Ligachev stepped up his attacks on Soviet historians who were calling on the party to set the record straight about the bloody 1924-53 years of Stalin during the recent six-week period when Mr. Gorbachev was absent from public view.

Now, Mr. Gorbachev, who spoke before an audience of 5,000 Soviet Communist Party members and 900 guests from foreign communist and socialist parties, has issued his own go-slow warning to "those overly headstrong and impatient people who don't want to take into account the objective logic of restructuring"—in other words, the decades of accumulated inertia in the economy and society.

Explaining the limited progress of his reform drive, Mr. Gorbachev admitted there was "a certain intensification of resistance by conservative forces." But he didn't make his usual frontal attack on the privilege-hungry bureaucracy. Instead, he directed blame toward Soviet workers and peasants, who are resisting his calls to take an active role in bringing changes.

Mr. Gorbachev said that like Vladimir Ilyich Lenin 70 years ago, he was seeing that his country's people, having lived centuries under serfdom, are ill-equipped to play an independent role in improving society. "We must cultivate a taste for independence," he said.

A New Crackdown?

At the same time, echoing a phrase of Stalin's, and perhaps heralding a new crackdown, Mr. Gorbachev said that "enemies within the work collectives" would be uncovered and dealt with.

But he also reaffirmed his commitment to his new economic policies aimed at breaking the stranglehold of central planners over Soviet industry and agriculture. "The Communist Party won't allow any departures from the principles of economic reform that we have adopted," he said. "All planned changes should be and will be fully implemented."

Observers were most disappointed by Mr. Gorbachev's failure to spell out the extent of suffering under Stalin. He said: "The guilt of Stalin and his immediate entourage before the party and the people for the wholesale repressive measures and the acts of lawlessness is enormous and unforgivable."

However, he undercut this denunciation by saying that "many thousands of people inside and outside the party were subjected to wholesale repressive measures."

Millions, perhaps 20 million people, were killed in Stalin's forced collectivization of farms and political purges. A few Soviet historians already have managed to publish the much higher figures of the toll of Stalin's terror.

Bukharin Not Defended

A key test of the Soviet leader's commitment to de-Stalinization was whether he would rehabilitate Nikolai Bukharin, a leading Bolshevik who opposed Stalin's collectivization of agriculture. Bukharin was executed on trumped-up charges after a show trial in 1938.

Mr. Gorbachev appeared to approve the execution by merely saying that Bukharin had been wrong and had "admitted his errors."

Perhaps signaling his own new acceptance that change in Soviet society will come at a slower pace than he had hoped, Mr. Gorbachev said: "In their assessments and theoretical tenets, Bukharin and his supporters for all practical purposes underestimated the importance of the time factor in building socialism in the 1930s."

Mr. Gorbachev also stuck to the party line by condoning the 1964 ouster of former party boss and would-be reformer Nikita Khrushchev. He accused Khrushchev of "subjectivism" and "voluntarism," two words coined by Khrushchev's successor, Leonid Brezhnev, to mean willfulness and a refusal to listen to other people's ideas.

Mr. Gorbachev, in heeding the go-slow signals from his party comrades, may be trying to avoid inheriting the labels and fate of his forerunner, who 31 years ago denounced Stalin's crimes in terms that Mr. Gorbachev hesitated to go beyond today.

THE SWIFT KICKS THAT ANDROPOV IS TRYING TO GIVE THE SOVIET ECONOMY



DESPITE ANDROPOV'S ABSENCE, REFORMS ARE MUCH IN EVIDENCE

Although 69-year-old Soviet leader Yuri Andropov has not been seen in public since August, his ambitious program to revive the stagnating Soviet economy is alive and flourishing. Launched with unusual fanfare last July, the reform plan seeks to decentralize factories in key industries, crack down on endemic corruption in plant management, and whip up worker productivity. The Soviet economy, whose growth rate in 1982 drooped to a record postwar low of 2.3%, last year managed a 4% expansion—the highest in five years. Observers in Moscow concede that some improvement was a result of Andropov's campaign for reform, which includes tighter worker discipline, his measures to ease bottlenecks in key industrial sectors—notably transport—and his mass firings of ill-educated Brezhnev *apparatchiki* and their replacement with younger, better-trained officials.

The ruling clique around Andropov is now moving to a second, immeasurably more difficult phase. On Jan. 1 factory managers of two key military-industrial ministries and three regional food and consumer-goods ministries were given wide authority in matters of investment, wages, and profit retention. (Formerly, such vital decisions were always bucked up to party bureaucrats at central agencies in Moscow.) An even more dramatic reform will permit local plant directors to lay off excess workers without first checking with local party watchdogs, and then tack the savings on to the plant's wage and bonus plan. Finally, plant performance in these test sectors will be tied more closely to product sales than to the

traditional filling of quantity quotas. The idea is that if the test works in these sectors, it will be more broadly implemented in the next five-year plan, starting in 1986.

Kremlin watchers cannot avoid a feeling of *déjà vu* when confronted with the grandiose ambitions of the Andropov economic reform plan. "I would describe it more as tinkering than reforming," sniffs Soviet affairs expert Helmut Sonnenfeldt in Washington. He views the reforms as one more attempt to push through needed reforms in an economy that is inherently rigid. In 1967, and again in 1979, similar reforms were blocked by a conservative and largely corrupt horde of centralized planners whose perks and power were endangered. Andropov and his supporters are well aware that bureaucratic resistance to economic reform helped topple the careers of Nikita Khrushchev and Aleksei Kosygin.

THE MILITARY IS CRUCIAL. Still, the Andropov team may have better luck than did earlier reformers. The military establishment, which has never been as prominent as it is now, reportedly is more convinced than ever of the linkage between economic reform and military power. Sonnenfeldt thinks the "theory that the military now understands that an improved economy benefits them as well" is a valid one.

The depth of Andropov's purge of party officialdom is impressive: 10% of middle-level Communist Party officials have been fired. More than 100 top-level party officials in Moscow, many firmly established in the economic hierarchy, have lost their jobs. Six powerful department heads at the Central Committee have been removed, and six deputy ministers of the interior were fired or stripped of their power. And recently two senior Soviet officials paid with their lives for "systematically taking big bribes." Overseeing this purge has been Interior Minister Vitali Fedorchuk, once the head of the KGB.

Reports in Moscow say the purge will penetrate down to the worker level. Already shaken by Andropov's anti-sloth labor laws—the first such disciplinary measures to be enforced fully since the Stalin era—the 130 million members of Soviet labor unions were recently subjected to the third "exchange" of union cards in Soviet history. This was a pointed reminder of benefits the workers could lose if they do not shape up.

Resistance by powerful and often corrupt bureaucrats scuttled reform efforts in 1967 and 1979

The attitude of the military, however, could determine the fate of the reforms. Moscow sources claim that awareness of economic inadequacy peaked within the military with the poor showing of Soviet weaponry against U.S.-supplied Israeli forces in Lebanon. Significantly, Lev Voronin, a military favorite who was responsible for the defense industry at Gosplan, the central planning agency, has been put in charge of implementing the entire package of reforms. This new support from the military may permit the Andropov team, at least in the near term, to shake the Soviet economy out of its stagnation.

MARK D'ANASTASIO

THE EAST BLOC SUMMIT: A CHANCE TO WHIP THE SATELLITES INTO LINE



CHERNENKO WANTS COMECON TO AGREE TO TRIM IMPORTS FROM THE U. S. AND UNIFY PLANNING WITHIN THE SOVIET SPHERE

It has been 13 years since a Soviet Communist Party chief sat down with all six of his counterparts who rule Moscow's East European satellites. The June 12-13 summit of the Council for Mutual Economic Assistance, or Comecon, will give Soviet leader Konstantin U. Chernenko a chance to confront the entire group around a table in Moscow.

The summit has been delayed repeatedly because of the failing health of Chernenko's two predecessors and because the issues at stake are so thorny. But now Soviet and East European leaders alike are eager to meet. Western analysts say the Kremlin will try to bend Comecon's trade with the West to Soviet political ends. Moscow is likely to lean on its client states to back a strategy that will limit purchases from the U. S., Japan, and Western Europe and that will rely on more unified trade and economic planning in the East bloc.

Chernenko wants his Comecon partners to circle their wagons in the current cold-war climate. He will cite as an example of unity the successful boycott of the Summer Olympic Games, in which 9 of the 10 Comecon nations, including the non-European members—Cuba, Vietnam, and Mongolia—yielded to Soviet pressure and dropped out.

Western analysts say the Kremlin wants a similar show of unity on trade outside the East bloc, because it fears that its satellites will stray politically. For instance, Romania, the bloc member with the least Comecon trade, often takes an independent foreign-relations stance, refusing, for example, to boycott the Summer Olympics. By contrast, Czechoslovakia, with little

foreign debt and limited trade with the West, is one of the bloc's most politically orthodox states.

At a Comecon ministerial meeting in East Berlin last October, the Soviets unveiled a plan for a single East bloc market to be divided along industry lines. And Soviet officials recently stepped up their calls for cooperation in developing indigenous technology, especially in such strategic areas as electronics and computers. Meanwhile, Nikolai Baibakov, head of the state planning agency, has urged an end to "unjustified imports from capitalist countries," and Prime Minister Nikolai A. Tikhonov has said Moscow wants more and higher-quality machines from its partners in return for Soviet raw materials.

Such considerations should weigh heavily in talks on the next round of bilateral barter agreements, the unwieldy basis of all East bloc trade. Moscow last month signed the first of these new pacts with Poland, a Western-oriented satellite until the imposition of martial law in 1981 and subsequent Western trade sanctions. The 15-year accord links Polish planning and output more closely to the Soviet economy than ever before.

DWINDLING OIL SUPPLIES. Moscow's strategy of building and retreating into a Comecon fortress will meet stiff resistance from its satellites. Almost all of them need to sell more to the West in order to pay their hard-currency debts—and then to buy more Western technology to modernize their economies. The six East bloc nations trimmed their imports from the West from \$34.5 billion in 1980 to \$25.6 billion last year; further cuts would threaten a drop to a low-growth plateau for several years. And while a blocwide market might help Czechoslovakia and East Germany reach the bigger outlets they seek for their industrial goods, it would require a supranational authority to determine who should produce what. No amount of Soviet strong-arming could get all East bloc leaders to accept decisions by *apparatchiki* in Moscow on where factories should be built in the region and what should be traded where.

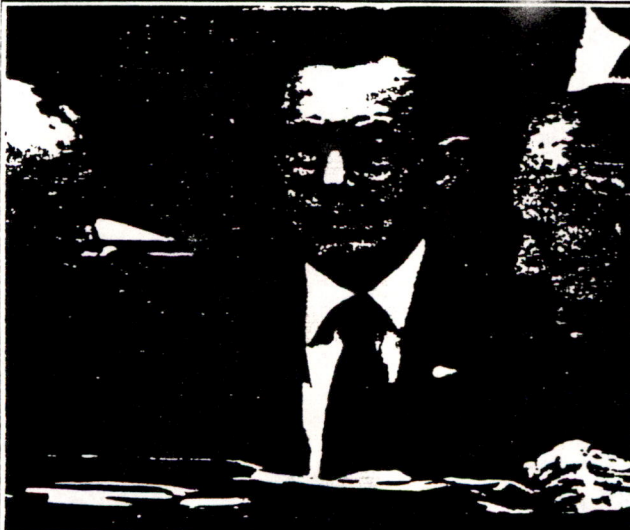
Moscow's partners have their own agendas for the summit. A top priority will be to redress their trade imbalance with the Soviet Union. According to a study by Soviet expert Edward A. Hewett of the Brookings Institution, Soviet terms of trade with Comecon improved by 6% to 7% in each of the past three years, yielding a surplus of 22.9 billion rubles. This results from Comecon's pricing formula, which is based on a five-year moving average of world prices.

The high oil prices of the late 1970s and early 1980s have driven up the cost of Eastern Europe's oil imports, while prices Moscow pays its partners for machinery and consumer goods have been far stabler. The satellites resent the fact that for the first time in 10 years they are paying more for Soviet oil than the world price. Except for Romania, the bloc depends on the Soviets for 80% of its oil. Moscow pared oil shipments by 10% in 1982, and at the summit it may impose further cuts because its supplies are dwindling.

Analysts say that the Comecon partners will have limited leverage at the talks. National rivalries and economic self-interest are likely to undercut any collective effort that they might mount against their Big Brother. In the end, the summit can be expected to produce little more than a show of unity, with appropriate denunciations of the U. S. and its allies and perhaps a few oil and gas deals that will serve to paper over a sullen stalemate.

MARK D'ANASTASIO

THE PUZZLING SWEET TALK COMING OUT OF THE KREMLIN



GORBACHEV, GROMYKO, AND TIKHONOV: WITH A POWER STRUGGLE RAGING, CAN PEACE OVERTURES BE TAKEN SERIOUSLY?

There is a new element in what Winston Churchill called "a riddle wrapped in an enigma"—the Kremlin and its machinations. How is it possible for the Soviets to go on a full-fledged "peace offensive" against the U.S. and the West in the midst of what most Kremlinologists regard as a no-holds-barred succession crisis?

The Soviets have launched one of their classic overtures for long-term understanding with the West. The Kremlin has reversed direction after statements issued only a few months ago that threatened the U.S. and NATO with a new arms race if they began an arms-modernization program. And it has ended an unprecedented campaign of vilification directed at Western leaders. Moscow's moves have stunned Western analysts who only weeks ago predicted that no arms negotiations would be possible without major U.S. concessions.

BUILDING PRESSURE. That may still be the case. National Security Adviser Robert C. McFarlane cautions that the Russians have agreed only to talk about negotiating. But there are other signals from Moscow to the West confirming a change of mood and tactics, if not strategy. For example, aging Soviet Party General Secretary Konstantin U. Chernenko has promised to visit President François Mitterrand in Paris. Overtures to France have always been a standard opening gambit of a moderating Soviet foreign policy, but the move is doubly significant because Mitterrand has taken as strong a line toward Moscow as any conservative leader in the West. The Soviets have also used Armand Hammer, the oilman, philanthropist, and longtime friend of Kremlin leaders, to spread the word that Moscow's temper has changed for the better.

"Put simply," one Kremlin-watcher in Moscow says, "the question is: How much of this should we treat as policy emanating from a unified leadership, and how much is just for show? With all the signs lately that these old boys are still fighting it out, that question is hard to answer."

An answer would foreshadow what problems lie ahead for

President Reagan and his advisers in the disarmament talks. Because no matter how many caveats are issued from the White House and the State Dept., Reagan's recent statements have helped to boost pressure from U.S. public opinion for conclusion of a major agreement. Yet the President has charged in the past that the negotiating process itself often forced American negotiators to reach an agreement—even when the terms were unfavorable to the U.S.

However Reagan chooses to proceed, doubt remains about how far the present Soviet leadership can go in making a disarmament breakthrough until the battle over succession is settled. After nine months in power, Chernenko has failed to elevate a single ally to the ruling circle—a move always taken as a sign of consolidation of Soviet leadership. And new appointments may be more critical now than ever, since they could decide when the generation of post-Stalinist "youngsters" takes power.

READING THE SIGNS. The experts in Moscow see other signs that Chernenko has not consolidated his position—much less his ability to name a successor. A plenum of the Central Committee, usually held in the winter to pass down new legislation for the Supreme Soviet to rubber-stamp, was not convened. Instead, the Politburo in November referred a budget directly to the Supreme Soviet for unanimous consent. Furthermore, two of the Politburo's most important members—Defense Minister Marshal Dimitri F. Ustinov, 76, and Vitali I. Vorotnikov, 58, party secretary of the Russian Federation—were absent from the Politburo meeting, along with Mikhail S. Gorbachev, 53, the member responsible for agriculture, who is considered Chernenko's choice among the younger men for the top leadership.

Ustinov, who represents the Soviet military and plays a key role in the balance of power, is rumored to have had a cerebral hemorrhage. Vorotnikov presides over a region with four-fifths of the country's economy. And few accept the explanation that Gorbachev was on vacation. The fact that his absence was publicized and that new agricultural policies were adopted that fly in the face of positions he has taken over the last four years provoked speculation that he is being pushed aside. Nor is it clear what role is played by Nikolai A. Tikhonov, a protégé of Chernenko's predecessor, Yuri Andropov.

Thus there is sufficient ground for speculation about a power struggle—and about Moscow's ability to make far-reaching decisions while the struggle rages. Some West European Kremlinologists, such as Ernst Kux of the *Neue Züricher Zeitung*, speculate that Foreign Minister Andrei Gromyko may be carrying the weight of the disarmament policy on his own. That contradicts the conventional wisdom that he is only an errand boy. But Gromyko, however restricted he has been in his 30 years of handling negotiations with the U.S., may have come into his own. He apparently was able to get the Politburo to rehabilitate his old boss and Stalin's Foreign Minister, Vyacheslav M. Molotov, who until recently was a discredited figure in Moscow. But could Gromyko carry the ball in serious negotiations against a background of Kremlin infighting after his January meeting with Secretary of State George P. Shultz to determine the scope of new arms talks? That is a new unknown in the Moscow puzzle palace.

By Mark D'Anastasio in Moscow

GORBACHEV'S AGENDA: HOUSECLEANING FIRST, ECONOMIC REFORM LATER

Soviet leader Mikhail S. Gorbachev wants to carry out "radical" economic reforms, but his goal is taking a backseat to a massive Kremlin reshuffling. Since becoming General Secretary of the Soviet Communist Party on Mar. 11, Gorbachev has denounced the shortcomings of Moscow's rigid central planning more sharply than any previous Soviet leader. But before he attempts "deep transformations" in the economy, Gorbachev is moving his political backers into key positions throughout the Soviet Union. His aim is to make sure that hostile bureaucrats will not sidetrack reforms when he launches them.

Gorbachev wants to avoid the fate of Nikita Khrushchev, who abolished the Soviet industrial ministries in 1957 and five years later split the Communist Party apparatus into industrial and agricultural sections. Khrushchev took these steps without first lining up solid backing in the party's policymaking Central Committee. Heads of major ministries and regional party organizations who saw their power threatened struck back by throwing the Central Committee's support behind Khrushchev's rivals. As a result, the ruling Politburo ousted him in 1964 for "harebrained schemes."

SHORT ON TIME. Gorbachev, by contrast, is likely to gain stature at the July 2 meeting of the Supreme Soviet, the nation's rubber-stamp parliament. It is expected to award him the title of head of state in addition to his position as party boss. But his crucial test will be the 27th Party Congress next February, which will approve the 300 members of a new Central Committee. In a review of candidates' credentials starting this fall, Gorbachev must use his clout as General Secretary to weed out opponents of economic reforms. To lend a hand in the housecleaning, Gorbachev brought three supporters into the 12-man Politburo in April: Yegor Ligachev, 64, the current secretary in charge of party organization;

Nikolai Ryzhkov, 55, the party's economic watchdog; and Viktor Chebrikov, 62, chief of the powerful security police, the KGB.

Time may be running short, though, to write major reforms into the 1986-90 Five-Year Plan. A draft will be published next fall for formal adoption at the party congress. Gorbachev may win authority in the plan, observers believe, to expand an experiment in decentralization to include enterprises that account for 50% of Soviet industrial output. The scheme, which so far covers only 12% of industry, was launched in January,

1984, to loosen central planners' iron grip by giving factory managers some decision-making power on investments, prices, and labor. But the State Commission on Prices has said there will be no basic price changes during the next plan. This could mean a long delay in more radical reforms suggested by Gorbachev, such as closer linkage between real costs and prices, which are now arbitrarily set, and between an enterprise's profits and sales.

Meanwhile, Gorbachev is applying "discipline" to spur the Soviet economy by cleaning out bureaucratic deadwood and cracking down on loafing and corruption. Such efforts to make the econo-

my work better, rather than change it, don't risk the kind of backlash that Khrushchev provoked. But recent moves to polish up Khrushchev's image suggest that Gorbachev admires the former leader's commitment to economic reform, if not his brashness. Just before Gorbachev took over in March, film clips of Khrushchev began appearing on Soviet television for the first time in more than 20 years. Since then, Soviet officials have been telling foreigners that the Kremlin is taking a new, positive look at Khrushchev's policies—which are still anathema to Soviet conservatives.

By Mark D'Anastasio in Moscow



GORBACHEV: AVOIDING KHRUSHCHEV'S FATE

GLOBAL WRAPUP

FRANCE

With scant prospect of beating conservative opponents in National Assembly elections next March, President François Mitterrand may be ready to join them. His Socialist Party has almost no chance of winning a majority. As a result, Mitterrand is leaning toward forming a broad coalition of Socialists and conservatives to back a leading opponent, such as former President Valéry Giscard d'Estaing, as Prime Minister. Mitterrand's strategy is to serve out his own term as President until 1988, hoping that an economic recovery will sweep his understudy, 38-year-old Prime Minister Laurent Fa-

bius, into the Elysée palace in that year's presidential election. Giscard and Gaullist leader Jacques Chirac, the mayor of Paris, have agreed to a coalition on such terms. The spoiler is former Prime Minister Raymond Barre, the front-runner among conservative hopefuls, who wants Mitterrand to resign if his party loses control of the Assembly.

STEEL

Both the U.S. and the European Community have backed away from confrontation over steel trade. The reason: Both sides still think the economic stakes are too high to risk a trade war. Under a three-part deal,

the Commerce Dept. will allow All American Pipeline Co., a Goodyear Tire & Rubber Co. subsidiary, to import 100,000 tons of pipe in excess of Europe's present quota, equal to 7.6% of the U.S. pipe market. The imports will be used to build a California-Texas pipeline. In return, the EC will start negotiations to limit exports of a half-dozen carbon-steel products that are not covered by 1982 steel-trade curbs. If a deal has not been reached by July 15, the U.S. will impose quotas unilaterally. But Brussels has also agreed to begin talks promptly to update and extend the 1982 restrictions. The aim is to reach a new accord by the end of October.

HOW MOSCOW IS TIGHTENING ITS GRIP ON AFGHANISTAN



AFGHAN TROOPS PATROL THE CITY BY DAY; SOVIET TANKS EMERGE AT NIGHT

An uninformed traveler might think he somehow had wound up at a military air base instead of a civilian airport as his plane comes in for a landing at Kabul. My Aeroflot jet from Moscow taxied past three dozen MI-24 helicopter gunships lining the runway. Machine guns jutted from their portals, and large pods of rockets hung from their sides. From atop the ramp, I could see soldiers on forklifts emptying the bellies of camouflaged cargo transports. On the airport perimeter, antiaircraft cannon pointed skyward. T-54 tanks, armored personnel carriers, and a bivouac for some thousand soldiers were nearby.

This stark impression of the Soviet military presence in Afghanistan diminishes as you leave the airport and drive the dusty, pot-holed road to the center of ancient Kabul. Four years after the Soviet Union's December, 1979, invasion of Afghanistan installed the Marxist-Leninist regime of Babrak Karmal, few Russian soldiers are visible on the streets of Kabul. "At least not in the daytime, before the 10 o'clock curfew," adds one Kabul shopkeeper. It is Afghan soldiers, shoulders slung with Soviet-made AK-47

rifles, who line the roads to stop cars for spot checks and to find "volunteers" for the Afghan army. At night, however, Soviet soldiers in tanks and armored vehicles take up positions along the main thoroughfares.

Apart from sporadic sniper and bomb attacks by Afghan resistance fighters, Kabul for the most part has been pacified, and control is now maintained, at least superficially, by the Afghan army. They are supported by Soviet helicopter gunships that hover high above the city through the day. At night the dull thump of mortar fire and red streak of tracer shells are reminders that the fighting is not far off.

TRIBAL INFIGHTING. The official Soviet press maintains that there are 110,000 to 120,000 Soviet soldiers in Afghanistan. It refers to these roughly 11 divisions as a "limited military contingent." Most of the troops reportedly are distributed in cantonments among the outer six of the seven military districts into which Moscow has divided its Texas-size neighbor. It is believed the Russians are able to police the entire country with only one of those divisions. These troops are said

to be employing Afghan soldiers in their operations against bands of some 45,000 resistance fighters.

For some time the Soviet and Afghan government troops have accepted a stalemate in which their forces maintain control of major cities and transportation routes while in effect ceding large areas of the countryside to insurgent Mujahidin. But reports trickling into Kabul from Afghan guerrilla camps across the Pakistani border give the rebels little chance.

The Mujahidin are led by 10 rival commanders who are deeply split by religious and tribal antagonisms. Reports from Islamabad say the internecine strife has led to bloody battles between, for instance, groups that are pro-American and others that are pro-Iranian. Sources close to rebel groups say almost no possibility exists of unifying the insurgents into a cohesive force.

WEAPONS SHORTAGE. Another problem is the shortage of portable antitank and antiaircraft weapons, which are supplied through Pakistan with U.S. aid. Says a French physician who has treated injured rebels in the provinces: "A wholesale increase in weapons shipments to the Mujahidin might give them the upper hand, but it would probably also lead to retaliatory air strikes by the Soviets against border villages in Pakistan." Soviet fighters, in fact, are reported to have already bombed a few hamlets as a warning to President Zia Ul-Haq.

"Realistically," says one West German diplomat in Kabul, "we should say the American hope of turning Afghanistan into a Vietnam for the Soviet Union is now a dead issue." The weapons shortage has combined with rebel disunity to reduce resistance to Soviet and Afghan government forces to the extent that many Western diplomats have begun to admit, if reluctantly, that the trend toward Soviet domination of Afghanistan may be irreversible.

But it is clear even to a first-time visitor that Moscow is not trying to create a client state by purely military means. Some of the Soviets' nonmilitary tactics are visible in the peasant village of Shina, 40 km east of Kabul. A column of steel towers strung with power lines runs through the dusty village. "It is the Soviet Union that brought electricity to my people," a village elder tells me beneath a glaring lightbulb dangling from the ceiling. Like most of the population of Afghanistan, which is 85% agricultural, he lives in a mud hut surrounded by open sewage canals.

Before the April, 1978, leftist coup that put the April of three successive Communist leaders in power—Afghan

propaganda calls it a revolution although it had no popular support—Afghanistan was ranked 108th among the world's 129 poorest nations. Its standing today, with an annual per capita income of about \$125, is probably a little worse.

But since Western nations cut off virtually all development aid, some Afghans have come to appreciate Soviet economic assistance. Especially pleased are the beet and cotton farmers of the strategically important northern provinces on the Soviet border who have been receiving steadily rising procurement prices for their crops. Soviet subsidies also support liberalized tax and credit policies for urban merchants.

This is an important tactic, since the private sector of this mixed economy last year accounted for more than 90% of all retail trade. Another important tactic is a propaganda campaign aimed at putting as much distance as possible between Karmal's government and the doctrinaire Marxist-Leninist ideology of his predecessor Hafizullah Amin.

Since many of the Mujahidin, who are fervent Islamic believers, are rebelling because they believe all Communist regimes aim to destroy religion, the ruling party has taken to claiming it is not communist but a people's democratic party. Afghans are assured daily in TV broadcasts—soon to be beamed to 8 of the nation's 29 provinces by a Soviet satellite—that Islam is as much a part of Afghan life as the sands are part of the desert. The 10% who are literate can read the same in the main newspaper, *Truth of the April Revolution*.

THREADS THAT BIND. Soviet aid also takes the form of huge irrigation projects built by soldiers not involved in the fighting. Other soldiers and Soviet engineers are busy extending and improving the thousands of kilometers of concrete highways and mountain tunnels the Soviets have been building here since the 1960s. Soviet diplomats, proud of the way the Soviet government was able, at least tentatively, to win over the Moslem peoples of the Central Asian republics, told me the new power lines, roads, and irrigation canals will soon be the threads that bind together the disparate tribes and nationalities of Afghanistan for the first time.

"Breaking down the isolation of Afghan tribes will make for friendlier domestic relations," one official declared over tea and chocolates at the Soviet embassy in Kabul. He didn't say it, but a more cohesive Afghan population would also be easier to control by a central Kabul government that, for the time being, is an agent of Moscow.

—MARK D'ANASTASIO

Moscow bureau chief D'Anastasio was among journalists invited to Kabul by the Afghan Embassy in Moscow.

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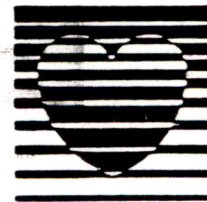
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THIS 'BREADBASKET' IS A FARMER'S NIGHTMARE



SOVIET AGRONOMISTS INSPECT DROUGHT-DAMAGED WHEAT—BARELY KNEE-HIGH IN AUGUST

The hot, dry breeze ripples across fields of wheat that stretch to the horizon. Under a cloudless sky the sun beats down through dusty air. The wheat, planted in spring, is barely knee-high though it's past midsummer. "Not one drop, not one drop of rain has fallen in a month," remarks Andrei Reimer, director of a huge collective farm near Tselinograd in the Soviet Republic of Kazakhstan some 1,400 mi. southeast of Moscow.

Tselinograd is the administrative center of the Soviet Tselina region, whose name means virgin lands. A campaign by Nikita Khrushchev in 1953-56 brought large-scale farming here. His notion was to transform these 80 million acres of grassland into the Soviet breadbasket—akin to the American Midwest—while replanting Russia's traditional granary in the Ukraine with corn for animal feed.

BURNING WINDS. The sod-breaking scheme was later dismissed as "hare-brained," and Khrushchev was ousted in 1964 in part for its failure. But it won for Kazakhstan a key place in Soviet agricultural economic priorities. Today the republic's political leaders wage an ongoing struggle with Moscow's central planners for scarce investment funds, and monumentally expensive schemes to bring more water to this arid land draw fire from Soviet environmentalists.

The climate here is a grain-grower's nightmare. Kazakhstan—the second-largest Soviet republic, spanning some 1,800 mi. from the Caspian Sea to borders with China and Mongolia—accounts for 10% to 15% of the Soviet Union's total grain production. But it receives only two-thirds the rainfall needed for wheat. Drought strikes every third year. The *sukhovey*—burning dry winds that blow up from the Central Asian republics—intermittently desiccate crops and soil. In summer, temperatures top 105°F; in winter they drop to -30°F.

Indeed, a month-long dry spell in July prompted the U.S. Agriculture Dept. to lower its estimate for total Soviet grain output this year from 195 million tons to 190 million tons. That, however, is still better than last year, when a prolonged drought here helped push Soviet grain imports to 53 million tons—at a cost of \$8 billion in precious hard currency.

Reimer, 50, whose German ancestors came here 150 years ago to stake out huge tracts on the Asiatic steppe for the czars, is determined to top state-set production targets. "We can do it," he tells Western reporters touring the 190,000-acre Yerkenshililsky collective farm. Reimer wipes sweat from his beefy face and stomps on a dirt path to show how dry the ground is. "Of course, we don't have the best conditions. But then, that would make it easy," he laughs.

Local leaders aren't bashful about pushing Moscow for what they believe they need to do the job. "A certain pride comes from belonging to a place as big as Kazakhstan," says Almaz Khamzaev, a 33-year-old official in the republic's foreign ministry. Local authorities like to boast that Germany, France, Italy, Spain, Britain, Norway, and Sweden could all fit into Kazakhstan's 1,050,000 sq. mi. area. "We're like your Texans," says Khamzaev. The vitality of the Kazakhs—who make up 43% of Kazakhstan's 15.6 million population, which includes Russians, Ukrainians, Germans, and Tatars—contributes to a strong regional identity. Even so, few of the republic's ranking party and government officials are Kazakhs. The forcible settlement of Kazakh nomads during collectivization under Stalin reduced their numbers. But according to Makash Tati-mov, a Kazakh demographer, the Kazakh population is making a comeback: By 2010 it may number some 12 million, about double the 1979 census figure.

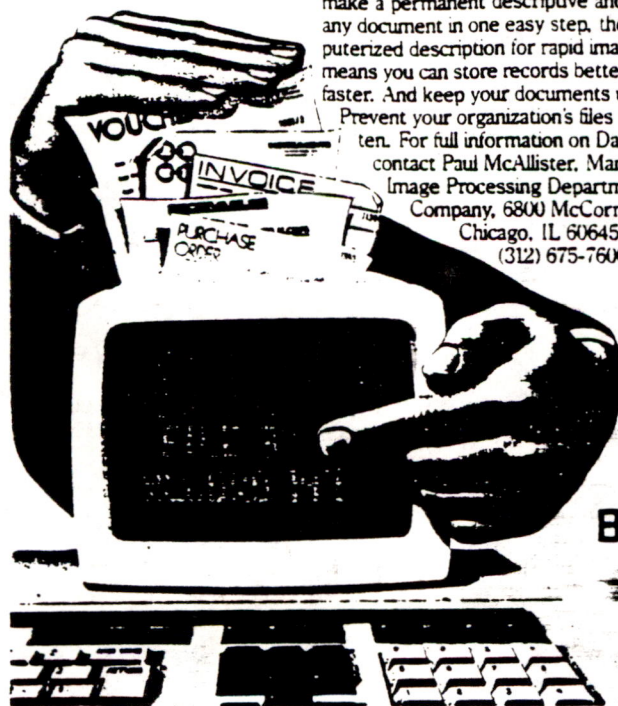
Western experts say policies advocated by some Soviet demographers to hold down the size of Kazakh families (and those in the four Central Asian republics) to maintain the nationwide majority of Russians can never succeed. "First, there's a labor shortage in the republic," says one U.S. authority on Soviet nationality problems, "and then, Kazakhs just love children."

UNSTABLE RAINFALL. In his birch-paneled office in Alma Ata, the republic's capital, Taufik Mukhamed, Kazakhstan's deputy prime minister and chairman of the republic-level state planning commission (Gosplan), bristles at another suggestion: No, he asserts, Moscow is not neglecting the republic's farms to push industrial exploitation of Kazakhstan's huge deposits of gold, coal, copper, and iron ore. "Every industrial project here, every collective farm, is being funded at continually growing rates," he declares.

One reason the per-acre yield of Kazakhstan's farms is so low, however, is that Moscow allots only 16 lb. of chemical fertilizers per acre. In the Ukraine, on the other hand, farms receive 84 lb. per acre. Kazakhstan's portion is a third of what's really needed here, according to Western agricultural experts.

To help compensate for the region's unstable rainfall, Kazakhstan's leaders have proposed to boost grain production by tilling more land. Experts at the Shortland Grain Institute near Tselinograd have prepared a program for reclaiming 10 million acres of alkali lands in the republic's north. The massive soil desalination campaign, which local officials want to carry out during the 12th Soviet Five-Year Plan (1986-90), would

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increase farm acreage by 2%. Although Kazakh officials claim it's in the bag, the project's future is uncertain until the draft of the upcoming plan is published, probably in late October.

BIGGEST TEST. "It would be like a crown on my career," says Alexander Barayev, the 80-year-old director of the Shortandy Institute. Barayev, who usually gets Moscow to see things his way, risked his career by being the first to oppose Khrushchev's command to till the virgin lands by standard plowing. Windstorms from 1960 to 1965 ruined some million acres, and damaged nearly 30 million more. Partly on Barayev's insistence, Communist Party leaders later adopted tillage techniques that prevent wind erosion.

The biggest test of Kazakhstan's clout will be whether Moscow gives the go-ahead in October for a 1,580-mi. canal that would provide water for a massive irrigation project serving Kazakhstan and Central Asia. The proposed Sibaral Canal—so called because it would extend from Siberia to the Aral Sea—would take 12 years to build. It would divert 25 million acre-ft. of water per

A massive irrigation project could help Kazakhstan, but Soviet environmentalists oppose it



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year from the Ob-Irtysh rivers system in Siberia to grain and cotton fields and industrial areas in the south. Some planners oppose the multibillion-ruble project on economic grounds. Others argue it could seriously damage the environment by reducing the flow of fresh water into the Arctic Ocean. This would raise the ocean's salt content, they say, altering the ice pack and affecting weather patterns in the Soviet Union and even in Canada.

Soviet environmentalists claim that current withdrawals of water from the Ob and Irtysh rivers already have prevented the spring flooding that used to maintain soil fertility in regions of western Siberia. "This project could turn some developed areas of Siberia into a wasteland," says one Soviet official. But in Alma Ata, Mukhamed refuses to admit any doubt that the Sibaral Canal will be built. "The plans are set," he snaps heatedly. If he's right, and new rivers of water start to flow to Kazakhstan, then Moscow's central planners will have accomplished what the gods have never deigned to do.

BY MARK D'ANASTASIO
Bureau Chief D'Anastasio has been reporting from Moscow since 1983.

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Letter From Suzdal

DETENTE GOES TO THE MOVIES

In the background, a medieval fortress rises on a hill against a pewter sky, its crumbling brick walls buttressed by drifts of snow. Further distant, golden cupolas of centuries-old whitewashed stone churches seem to float in the air. In the foreground below, a newly built town of wooden houses and churches—a movie set imitating early 18th-century Moscow—stands beside a narrow frozen river.

Someone gives a cue. Propane gas shoots through tubing atop the clustered

vantages. "Look at these extras," he says, standing on the set where Peter's rebellious guardsmen have just set fire to old Moscow. "They're Russians, or they're Tartars, and there's just no question about their authenticity."

'BIG SCORE.' Bundled in a down-filled coat against the 10-below-zero February weather, Katz says Suzdal, once a major religious center in northern Russia, provides a historically rich atmosphere that Hollywood studios couldn't create. Now a preserve for some 50 examples of me-



NBC ON LOCATION NEAR MOSCOW: "IT'LL LOOK LIKE A THOUSAND PEOPLE WHEN WE EDIT"

wooden structures, which burst into flames. A hundred extras in peasant costumes form bucket brigades to douse the blaze. "It'll look like a thousand people when we edit the film," says Joel Katz, executive in charge of production for this \$25 million television miniseries being shot in Suzdal, about 130 mi. north of Moscow.

Peter the Great is a 10-hour NBC Productions film about the brutal, lusty czar who tried to modernize backward Russia in the early 1700s. Based on the 1981 Pulitzer Prize-winning biography by Robert Massie, it is the first totally independent American dramatic film production to be made in the Soviet Union.

According to Katz, making the movie on Russian turf has had important ad-

dieval church and secular architecture, the area offers backdrops that Hollywood set designers would be hard put to match.

NBC is banking on that look and the "Filmed in Russia" cachet to attract a big audience. *Peter the Great*, starring Maximilian Schell as Peter, with Omar Sharif, Vanessa Redgrave, and Hana Schygulla in other leading roles, is scheduled to air next February. That will be one of the networks' "sweeps" months, when Nielsen ratings determine the following season's ad rates.

"We anticipate a big score with this show," says Susan Baerwald, NBC vice-president for miniseries and novels for TV. She adds that the Soviets also have a big interest in the film's success. While *Peter the Great* is not a joint production,

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the Soviet organization Sovinfilm is under contract to provide NBC with costumes, sets, extras, and 21 members of the cast who were drawn from Moscow's Gorky Film Studios. For this and the privilege of shooting in the Soviet Union, the network is paying \$5 million to a Soviet government hungry for hard currency.

"They want to prove this kind of production is possible, in hopes of getting further business not only from the U. S. but elsewhere in the world," explains Baerwald. Mutual interest in seeing this attempt at Soviet-American cooperation succeed, however, has not made the production easy. "Language is probably the greatest problem," says Director Marvin J. Chomsky, who has won Emmys for the NBC miniseries *Holocaust*, *Attica*, and *Inside the Third Reich*. "I would probably save an hour a day if I were fluent in Russian."

'The Soviet style is to rehearse a day and shoot a day. . . . We just shoot until we get it right'

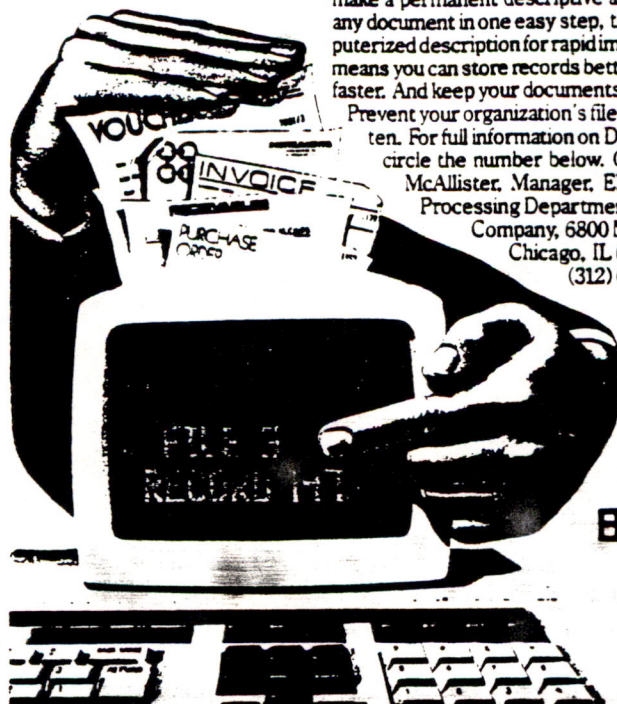
The production's stars and largely European cast are no trouble. But Chomsky needs an interpreter to relay his instructions to the Soviet actors and extras—mostly young soldiers on loan from the Red Army. Miscues are not unusual. That hurts when there are only five hours each day when the light is suitable for filming.

TIME IS MONEY. Production delays are another big problem. The company was already running behind schedule before it arrived in the Soviet Union from Vienna, where shooting began last summer. Costs were skyrocketing from estimates that started as low as \$6 million for a shorter version.

Katz says the U. S. bonding company involved in the deal, concerned that shooting on Soviet locations might exacerbate problems, asked NBC to bring in a director with a proven track record for handling difficult assignments. Enter Chomsky, who had earned a reputation for tough, fast work. He took over shooting in Soviet Central Asia and will see the production through studio work in Moscow and Leningrad this month and more filming in May.

Says Chomsky: "One of the things I agreed to in my own mind was to come to the Soviet Union and work in the Soviet mode." That, however, proved impossible. Unschooled in the capitalistic time-is-money philosophy of filmmaking, the Soviet participants have often failed

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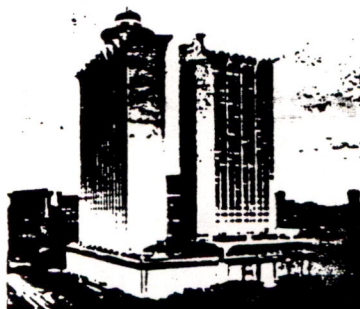
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to keep up with their Western colleagues' fast rhythm. "The Soviet style is to rehearse a day and shoot a day," says Katz. "We don't work that way. We just shoot until we get it right. It's faster." And the Soviets, unlike Western actors, are accustomed to shooting without sound, which is dubbed in later.

'A' FOR EFFORT. Soon after the cast arrived in Suzdal in September from shooting in southern Soviet Kazakhstan, it became clear that Soviet theatrical support crews also worked differently. A truckload of sets and wigs from Moscow's Gorky Studios showed up 14 days late at Suzdal. The delay cost the American network an estimated \$300,000, and Chomsky lost two valuable weeks of days with longer sunshine. One rumor has it that a load of black-market melons had been piggybacked on the shipment and that the drivers' paused to

A truckload of sets and wigs arrived 14 days late, a delay costing \$300,000

peddle them along the route from Moscow. Another explanation is that the sets and wigs just weren't ready on time.

Production executive Katz says the Soviets will have to make good on that loss, and maybe others. Katz negotiated and signed the contract with Sovinfilmm Chairman Alexander Surikov. According to Katz, the document—formally called a treaty, because it is between a private citizen and a government—says that "anything that is not our fault, or *force majeure*, is their fault." Surikov has declined comment. An impartial arbitration society in Sweden will have the last word, if necessary. Overall, however, Katz says the Russians have proved themselves reliable business partners: "They absolutely did produce. I give them an 'A' for effort."

Judging his own efforts as the first American to organize an independent dramatic film production in the Soviet Union, Katz concedes: "I was kind of ill-prepared to do this." He admits he hadn't given the country much thought, professionally speaking, during the 35 years since he was a Russian studies major at Syracuse University. But success for *Peter the Great*, particularly in next February's sweeps, could inspire other U.S. filmmakers to start doing their homework.

BY MARK D'ANASTASIO

D'Anastasio is Moscow bureau chief for McGraw-Hill World News

Letter From Leningrad



INSIDE LENINGRAD'S FUR PALACE, TRADERS EXAMINE LYNX SKINS BEFORE THE BIDDING; A VISITOR SAMPLES THE FEEL OF FOX

WHERE MOTHER RUSSIA AUCTIONS HER PRECIOUS FURS

"It was before World War II," New York fur trader Mike Bosher was saying, as he flipped through a bunch of blue-black sable skins on auction at Leningrad's Fur Palace. "The Russians didn't have any good mink stock to speak of. This Canadian offered a black-market fur dealer from Siberia a few of his best breeding animals in exchange for a couple of sables. In the end the Siberian got his minks, but the Canadian wound up with a cage of neutered sables. The poor guy had just enough to make one nice collar." Bosher, who has been coming to the fur auctions—held here three times a year—for 35 years, has probably told the story at all of them. But he chuckled as if he had heard it for the first time.

The tale may be apocryphal, but it's indicative of the tight control Mother Russia has always kept on the sable, a cat-sized rodent whose fur grows thick in the extreme cold of the Siberian forests—and in nine government-run sable ranches across the country. Four centuries ago, Ivan the Terrible beheaded anyone caught selling sable breeding stock to foreigners. And the Leningrad cabbie who drove me to the auction from the Czarist-era Astoria Hotel insisted the penalty is still death.

He could be right. Soyuzpushnina, the official fur trading agency, will not dis-

cuss such matters. But others familiar with Soviet law say that stealing breeding sables could be construed as "economic espionage"—and, quite possibly, treason. Such harshness can be explained only when you consider that, pound for pound, sable is one of the Soviet Union's most reliable earners of hard currency. In his office in the Fur Palace, Fitrat Kutuyushev, deputy director of Soyuzpushnina, told me that sable would account for about 15% of the roughly \$100 million the organization will earn at the auctions this year.

DOMESTIC DEMAND. About 5% of that total will come from commission sales of Polish nutria, North Korean domestic dog (prized by Asian bidders and virtually nobody else), Afghan karakul, and skins from other countries ostensibly on good terms with the Soviet Union. (The Soviet news agency Tass reports that the Afghan people earned \$11 million last year from sales at a Leningrad auction.) The Russians pick up perhaps an additional \$50 million in hard cash from international fur auctions in London and Leipzig and from private contract sales.

Still, the Soviet share of the world fur market has been receding since the early 1950s. At about that time more efficient fur farming techniques in the West began to erode the natural advantage of Russia's deep forests and winter snows.

Soviet trade officials attending the auction, however, insisted that they would be earning a much larger share if it weren't for a steady growth in domestic demand that has limited exports to about 15% of annual production. That will come as striking news to anyone who has strolled through the government-run retail stores. Fine furs seem to be virtually unavailable. And Soviet citizens can find only a very small supply in the secondhand stores, their so-called commission shops. "Wives of party bigwigs don't even buy their coats in the Soviet Union," one knowledgeable Russian musician confided later. "They import them through catalogs, and the government pays for them."

The dozen or so Americans who come to buy in Leningrad—where they compete primarily against merchants from Japan, Italy, West Germany, and Britain—are constrained by a McCarthy-era law from importing Russian mink, fox, and a few other furs. "Russian ranch mink is a little too heavy and rough, anyway, for the high-priced American market," said Peter Dion, president of New York's exclusive Galanos Furs.

Nonetheless, the Russians have become the world's biggest mink ranchers—producing 13 million pelts of a dozen varieties annually. That compares with less than 3 million in the U.S., where annual production once totaled 15 million pelts. Ironically, the Soviets built their lead on American breeding stock acquired after World War II. Under the trade name Norka (which means mink in Russian), the Soviet fur is now available in department stores and shops from Hong Kong to Montreal.

At the Leningrad auctions, pelts are hung in lots in the high-ceilinged show-

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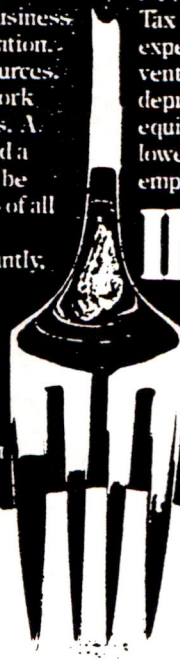
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rooms of the Fur Palace, a neoclassical building constructed in 1939 to serve the industry, so that 200-odd traders from 15 countries can examine the sable, lynx, mink, silver and blue fox, and a dozen other select Russian furs. For the uninitiated, the musty odor of thousands of raw skins can be overwhelming, but the buyers wade through the racks with barely a wrinkling of the nose. After two weeks of examining pelts, bidders face off against each other in a paneled amphitheater on an upper floor. There each of roughly 8,000 lots comes under the hammer separately in a week of slow and tedious bidding.

The auctioneer and his spotters occupy a dais in the bidding room opposite a multitiered gallery. Light from an ornamental chandelier fills the room as the bidding flares—in English and in U.S. dollars. "Americans here all want the sable," said David Mechutan, vice-president of Mechutan Fur Corp. in New York, considered the industry's largest buyer of sable. "Last year was one of the best for sable coats, and this year will be better." Mechutan, seated in the gallery's top tier, said sable prices at the Leningrad auctions had increased 30% to 40% over the past few years. At the auction I attended, the so-called top bundle of 30 ranch sable pelts went to another American furrier for \$420 per pelt—a \$12,600 purchase.

PLAUSIBLE PLOTT? It takes about 60 pelts to make one of the average-size natural sable coats that will retail next year in the U.S. for anywhere from \$40,000 to \$150,000. "The [U.S.] economy is good now, and people are looking for value," said David Wolfe, senior vice-president of Dallas-based Neiman-Marcus. He was seated in the Fur Palace foyer licking stamps for a pile of postcards he was sending to clients. "Not a day goes by we don't sell a sable coat," he said between stamps.

The night before the auction ended, dinner conversation with Edward Graf, vice-president of Ben Kahn Furs Corp., of New York, turned to the challenge of breaking the Soviet sable monopoly—a theme of *Gorky Park*, the best-selling novel by Martin Cruz Smith. Graf's father and president of the company, Ernest Graf, was consulted on details of the Russian sable business for the book. The idea was to figure out a plausible way that someone might actually get his hands on some breeding-stock animals. By all accounts at this latest Leningrad auction, if anyone has pulled that trick off in real life, he isn't talking.

MARK D'ANASTASIO

Moscow Bureau Chief D'Anastasio sees Russians in sable hats but few in sable coats.

Books

RUSSIA: BROKEN IDOLS, SOLEMN DREAMS

By David K. Shipler

Times Books • 404pp • \$17.95

AN HONEST LOOK AT A DECEITFUL SOCIETY

Bookstores are laden with volumes vying to exploit the great interest Russia holds for the American public. This curiosity will persist as long as Soviet society remains so closed and so hard to understand, and as long as there exists the fascination of one great power with its rival. David K. Shipler's *Russia: Broken Idols, Solemn Dreams* is the latest work aimed at satisfying that thirst. It contributes much to our understanding of Russia by taking us a few steps further than others have in debunking the notion that Russians and Americans are essentially alike.

Shipler was *The New York Times'* bureau chief in Moscow from 1975 to 1979. He writes with the subtlety and perception of a novelist, displaying an engaging critical sensibility and presenting an unsparing view of the Soviet Union as a hopelessly closed, ideologically and spiritually desiccated society.

Like all foreigners working in this shuttered society, Shipler could observe only limited realms of Soviet life. His attempts to establish the truth clashed constantly with two time-honored practices of Soviet deception: *vran'yo* and *pokazukha*. Literally, *vran'yo* means lies. But a Russian friend gave Shipler a better definition: "You know I'm lying, and I know that you know, and you know that I know that you know, but I go ahead with a straight face, and you nod seriously and take notes."

The other obstacle, *pokazukha*, means a phony show, or a snow job put on for foreigners of high standing. Correspondents encounter this when they are shown state farms and factories that are not at all typical of the disorganized and technologically backward state of Soviet enterprises, but rather carefully arranged Potemkin villages.

Both *vran'yo* and *pokazukha* were abiding features of Russian culture long before the Bolshevik Revolution. The Russians' compulsion for masking unpleasantness, and their attendant distaste for introspection, are bred into children at an early age. Shipler describes all this in his section on education, which is an exceptionally penetrating treatment of the Soviet style of learning and teaching. He tells of a small girl who could not answer a question when called

on in a classroom he visited. Her teacher praised her nonetheless—after the girl parroted the correct answer whispered by a classmate seated beside her.

This is a style of cheating widely ignored by Soviet teachers, who are under pressure from Communist Party watchdogs lurking in the corridors to maintain the appearance of frictionless learning.



SHIPLER DEBUNKS THE IDEA THAT RUSSIANS AND AMERICANS ARE ESSENTIALLY ALIKE

Russian children are constantly pelted with high-flown platitudes on devotion to the motherland and fearlessness in defending the sacred soil. The result, Shipler writes, is that "education enhances the Russians' sense of isolation and adversity in relation to the outside world." This process is furthered, of course, by incessant statements in newspapers and on radio and TV about the supposed ill intentions most nonsocialist nations harbor toward the Soviet Union.

Shipler describes the harrowing process in which young people who succeed in making it to college are assigned in their final year to sites throughout the far-flung reaches of the vast Soviet ter-

ritory. There, for three years, they ply the specialty they have been trained in since the ninth grade. The procedure, Shipler says, is replete with bribery, anxiety, and sometimes suicide. Failure means forfeiting the diploma. Assignment to dreary, sometimes frost-bitten provincial towns, where meat and other basic consumer goods are nonexistent, is the most dreaded fate.

Nearly all Soviet citizens want to live in Moscow or major provincial capitals, away from the surrounding seas of rural deprivation. Residence in these big cities, however, requires permission from local police. Shipler says this is usually denied to ex-convicts, beggars, peasants, gypsies, and certain political dissidents whose presence would sully the clean and orderly image of these showplaces of Soviet achievement.

The intelligentsia, Shipler observes, is gripped by a powerful contempt for workers and peasants. Well-educated Russians reflect their society's general lack of concern for the abused and injured, whose very existence, because it clashes with Soviet ideology, is categorically denied. Writes Shipler: "Here at the juncture of suffering and indifference, exists the great vacuum of Soviet society. Where social consciousness should stand, a void, where outrage should run, a drifting insensitivity."

Shipler attributes what he calls "a state of moral weightlessness" in the Soviet Union to the absence of any system of belief that is thorough and enveloping enough to satisfy the Russians' historically ingrained need for some truth, some abiding faith to guide their lives. Ideology, dead for years now, does not provide it. Nor does religion, over which the Communist Party keeps a stranglehold. And patriotism, for all its power, is not sufficiently comprehensive.

Shipler warns that the Russians' ever-growing thirst for Western material goods does not indicate an attraction for the democratic political systems that produce them. Many more Soviet citizens are willing to risk imprisonment for buying and selling jeans on the black market than for advocating free speech. Learning this was apparently a bitter experience for the author. He says that time spent in Russia "corrodes the American's creed that freedom is man's natural state, and that all other conditions are abnormal. . . . And on some level, perhaps, we hate the Russians for giving the lie to our innermost assumptions about humankind."

MARK D'ANASTASIO

Mark D'Anastasio was recently appointed Moscow correspondent for McGraw-Hill World News.

Books

NOMENKLATURA: THE SOVIET RULING CLASS

By Michael Voslensky
Doubleday • 455pp • \$19.95

ELITISTS WHO CONTROL THE 'WORKERS' PARADISE'

The Soviet Union has gone to extraordinary lengths to keep the world from knowing just how much its citizens suffer from the inequities and deprivations of their Communist state. Such knowledge would, of course, make a mockery of the image that the relentless Soviet propaganda machine projects of the country as a classless society and proletarian paradise.

That is why *Nomenklatura: The Soviet Ruling Class* is such an important

book. (*Nomenklatura* is a Russian term denoting the aggregate of people holding the most important party, state, and civilian jobs in the Soviet Union.) The author, Michael Voslensky, is a former high-ranking Soviet historian and secretary of the prestigious U. S. S. R. Academy of Sciences. In 1972 he defected to the West when Moscow denied his request for an extension of his research sabbatical at the University of Linz in Austria. So fearful were Soviet leaders of Voslensky's potential to blacken their image that KGB agents tried to kidnap him. Immediately after, Voslensky began writing this book.

In addition to pointing up the class nature of the Soviet ruling elite—a condition that would presumably shock Karl Marx—the book demonstrates how ineffectively Soviet leaders cope with increasingly complex economic problems at home and political problems on the international level.

Voslensky, who is an engagingly analytical writer, offers an unprecedented inside look at the *nomenklatura*. Although his conclusions are familiar—he describes its members as a self-perpetuating elite more oppressive and exploitative than the Czarist ruling class—his method is unique. Basing his observations on decades of personal contact, Voslensky examines, step by step, the special sectors of Soviet society that together wield a monopoly of economic and political power.

In a preface to the book, Milovan Djilas, a former Yugoslav political leader whose 1946 classic, *The New Class*, first exposed the development of Communist Party oligarchies, writes: "[Voslensky] presents a comprehensive and complete picture of the Soviet system—a picture that is exhaustive, meticulous, and well-informed, one of the most complete, if not the most complete ever."

Voslensky traces the growth of the *nomenklatura* class to the group of professional party revolutionaries who seized power from the Czarist aristocracy under Lenin's leadership in 1917. As this new social class—composed of members of the Communist Party apparatus and the state bureaucracy—evolved, it fortified and legalized its dominance over the rest of the population. And

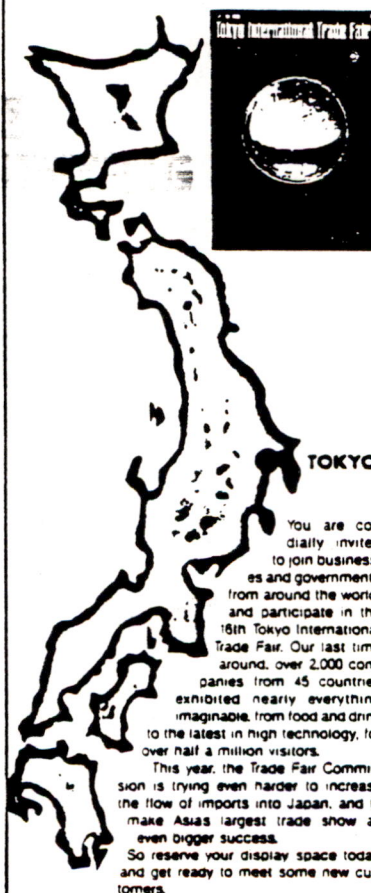


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Books

from the start, it displayed an innate enmity toward all ideas differing from its own narrow ideology.

Along the way, the new class progressively increased its privileges vis-à-vis the masses. In effect, Voslensky notes, the privileged *nomenklaturists* have confirmed the observation of Friedrich Engels, the German Communist philosopher, that "once in the saddle" a new ruling class "has never failed to consolidate its rule at the expense of the working class and to transform social leadership into exploitation."

The *nomenklatura*'s nucleus consists of about 250,000 leading jobholders in the party, state, military, and police apparatus. Other members are the 500,000 occupants of the key posts in industrial, scientific, and educational institutions. All these positions—from the ruling Politburo's general secretary to the managers of important factories—are filled by Communist Party committees whose attention to a candidate's professional qualifications is overshadowed by their concern about political fealty.

Once admitted to the ranks of the *nomenklatura*, an individual usually remains a member for life. Voslensky notes that the group represents the only political force in Soviet society and that its only purpose is to maintain its power and privileges. Not only has it separated itself from the rest of Soviet society and from the outside world, but internally it has also established hierarchical ranks where infighting is rampant.

While the *nomenklaturists* are not actually proprietors, they siphon off the profits of Soviet production, rewarding themselves with high salaries, dachas, private cars, trips abroad, access to foreign goods, generous rations at special state-run food stores, and other goodies—all at state expense. Despite frequent propaganda campaigns supposedly aimed at improving the economy's efficiency, little sincere effort is made to maximize its profitability, Voslensky says, since the ruling class is interested only in maintaining its power, while the rest of society is given just enough to keep up its capacity to work. Lacking any prospects for reform, the social system run by the *nomenklaturists* is driven by their self-indulgence and corruption inexorably to military expansion.

Voslensky sees no end to the *nomenklatura*'s stultifying grip on Soviet society and its drive to expand its military power. His assessment does not augur well for future free-world relations with the U.S.S.R.

MARK D'ANASTASIO

Mark D'Anastasio is Moscow bureau chief for McGraw-Hill World News.

Special Report



THE FIAT PLANT IN TOGLIATTE: WORKERS FORM "BARRICADES" THAT REWARD ATTENDANCE AND PRODUCTIVITY—A RADICAL CONCEPT

WILL SHOCK TREATMENT BRING THE ECONOMY BACK TO LIFE?

"We've got the perfect economy," says a Soviet worker in a popular joke. "We pretend to work, and they pretend to pay us."

Slowly, the pretense is ending. A few days after taking power last March, Mikhail Gorbachev made labor discipline his top priority. Its elements were hardly radical. Gorbachev demanded that workers report to work sober—and actually perform while on the job.

But for the cynical Soviet worker, accustomed to recurring wars on absenteeism and drunkenness, Gorbachev's seriousness was like shock treatment. Gorbachev has mobilized the 18 million-member Communist Party to put pressure on every level of the Soviet Union's multilayered economy.

He has levied heavy fines on bosses and workers who shirk and ordered those who don't comply with the new rules to be fired or, in some cases, jailed. Says a cab driver from Moscow's Taxipark No. 10, where supervisors now fine drivers for unexcused absences: "We should have been worrying about questions of discipline a long time ago, but

none of the other leaders ever got around to it."

Gorbachev knows that busting lazy cabbies does not constitute an economic policy. But it does get attention. Now, in a series of steps announced over the past six months, the shape of a real economic plan is emerging. Its key elements go like this:

□ **Economic reform.** Gorbachev is broadening to all industry an experiment begun two years ago that boosts pay incentives and gives managers some autonomy. Gorbachev has also endorsed a more flexible farm organization—a major shift from the rigid 50-year-old collective farming system imposed by Stalin.

□ **Attacking the apparatus.** The authority of Gosplan, the once-omnipotent State Plan-

ning Committee, will be radically curtailed. Factories will have more leeway to set production targets and judge performance. To drive the message home, Gorbachev sacked planning chief Nikolai Baibakov, who systematically opposed structural reforms.

□ **Harnessing technology.** More than any modern Soviet leader, Gorbachev—who has degrees in law and agronomy—has aligned himself with the country's technocratic elite. He is backing a full-scale computerization of the economy to halt Russia's alarming slide toward industrial obsolescence (page 116).

Any attempt at broad-scale reform is risky for a Soviet leader, and many veteran Kremlin-watchers doubt that Gorbachev's plans can succeed. "The system is bigger than he is," says Soviet specialist Marshall I. Goldman of Wellesley College. Nikita S. Khrushchev was ousted after he disbanded a number of Moscow ministries to try to break the straitjacket of central planning. In 1966, Prime Minister Aleksei N. Kosygin's plan to grant autonomy to industrial enterprises failed to get off the ground. And the most recent reformer, Yuri Andropov, died before his crackdown

Gorbachev is pushing pay incentives, factory autonomy, workplace discipline, and high tech

Special Report

on drunkenness had any real impact.

But the modern Soviet economy has never been in such dire shape as it is today (chart). The economic machine that Gorbachev wants to remodel is half the size of the U.S. economy and slightly larger than Japan's. But more than 14% of its output goes for military spending, about twice the U.S. level. And arms plants have first call over civilian industry for materials and equipment, as well as top technicians and skilled workers.

Gorbachev's dilemma is that he must keep his military happy while generating the growth that can put new goods into the civilian economy. GNP growth, healthy in the past by U.S. standards, has slowed to an average of 2.2% in the last five years, too sluggish to meet new goals.

One reason is that net capital investment, which once fueled growth rates of 8%, has ground to a halt. The rate of amortization, or depreciation of equipment, now exceeds the rate of investment. "The Soviets are decapitalizing the economy," says Jan Vanous, research director of PlanEcon Inc. in Washington. "They're mortgaging the country's future."

NOTHING TO BUY. Behind the economic figures lies a grim reality for long-suffering Soviet consumers. Soviet industry cannot provide the country's citizens with reliable supplies of ordinary goods, from chewing gum to fashionable dresses. A \$59 Sony Walkman, unheard-of in Soviet stores, commands \$620 on the black market in Moscow. With few consumer goods to buy, Soviet citizens save a huge proportion of their meager earnings. "The state gives me almost every-

thing I need free or cheaply, and most everything else I want isn't in the stores," explains a worker in a Moscow shoe factory.

Gorbachev's agenda is barely eight months old, but already the economy appears to be picking up speed. Despite a severe winter, industrial production for the first nine months of 1985 was 3.7% greater than it was for the same period last year. A strong third quarter produced a 5% gain over the same period in 1984, and labor productivity, the target of Gorbachev's discipline campaign, jumped 3.3%.

Favorable results may be boosting the

Gorbachev likes the idea of 'superministries' that eliminate duplication in the vast bureaucracy

case for rapid-fire change, but Soviet officials are trying not to raise expectations they can't fulfill. "We can't rock the boat too much," says Alexander Bavin, a commentator for the government newspaper *Izvestia*. "Radical change doesn't mean instantaneous change."

The easy reforms have already been made. The campaign against drunkenness, for instance, came literally overnight. While mingling with a crowd of citizens in Leningrad this spring, Gorbachev was asked when he was going to crack down on drunks. The newly installed party boss smiled benignly and answered that, coincidentally, "some

measures" would be taken the very next day. The curious comrade might wish she had never asked. Without warning, Gorbachev shut down almost all the country's hard liquor stores, slashed vodka production, and forbade restaurants to serve drinks before 2 p.m. Drunkenness at the workplace, once common, now triggers a 50 ruble, or \$60, fine—about one-fourth of a worker's average monthly pay.

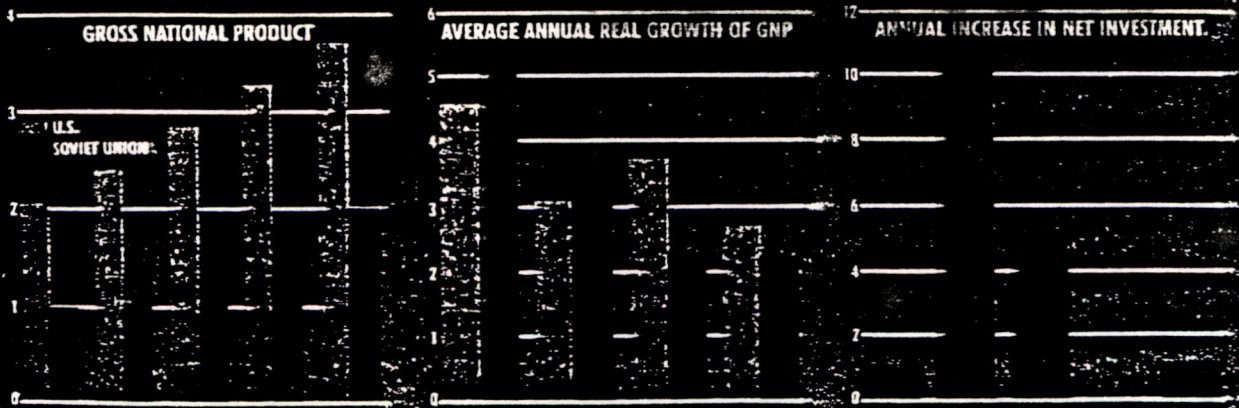
The most significant change to date is probably the management experiment, called the "new economic mechanism," that Andropov started and Gorbachev is broadening. Now confined to 25 ministries that are responsible for 12% of industrial output, the economic reform will be extended to half of Soviet industry next year and throughout the country by 1987.

BIG CARROTS. Giving a priority to modernizing existing plants and equipment over new industrial and resource projects represents a major shift in emphasis. Until recently, the government devoted nearly 40% of all capital investment to developing Soviet oil and gas reserves. The deliberate change of emphasis may explain in part why Soviet oil production is off 4% from last year. Some Westerners think the government is wisely giving up searching for the last, costly barrel of oil.

In other areas, Gorbachev is attempting to shift priorities by offering some big carrots to factory managers who meet their goals. Instead of sending all of their revenues back to the ministries, which calculate profits and return funds to the plants in the form of investment allocations, managers can now keep some of their earnings to spend on plant

THE ECONOMIC SLIDE GORBACHEV MUST HALT

SOVIET GNP TRAILS THAT OF THE U.S. ... AND ITS GROWTH RATE IS SLOWING ... ANNUAL INCREASE IN NET INVESTMENT





OUTSIDE A MINERAL WATER SHOP: GORBACHEV WANTS TO WEAN THE PUBLIC FROM ALCOHOL

retooling, bonuses, and fringe benefits.

Plant bosses are adding a large portion of these retained profits to salaries. At the Sibelectroterm furnace plant, for instance, some workers are earning 500 rubles, or \$610, a month—as much as the factory manager (page 111). A few factories earning hard currency for the state can now keep 40% of their revenues. Previously, the Moscow ministries confiscated hard-currency earnings to redistribute them as they saw fit.

As part of the remaking of Gosplan, production targets and bonus thresholds are now calculated at the plants rather than by Moscow bean-counters. "Enterprises know the market demand better, and they know their own possibilities better," admits Vladimir G. Kostakov, deputy director of the Gosplan Economic Research Institute.

MERIT RAISES. But along with the new carrots, the experiment introduces new sticks. With salary bonuses and "social fund" investments for new housing and cultural facilities directly linked to goals, the thousands of factories that never achieve their targets will see their resources shrink. And the experiment has a "sunset" clause aimed at phasing out antiquated merchandise.

In conjunction with the experiment, the Soviets are changing labor conditions profoundly in industry and agriculture. Half the nation's factories now pay salaries to "brigades," teams of a dozen

or more workers with different skills that sign a contract to perform certain tasks. An assembly line at the Fiat plant in Togliatti, for example, may agree to install engines in several thousand chassis a month. If they achieve their plan, the factory pays the assembly brigade, and a brigade council of three or four workers then allocates salaries, based on attendance and individual productivity. Before, all workers received the same salary and bonuses regardless of how much or little they worked.

The brigade system is a truly radical change for farmers, for whom collectivized agriculture has meant the country's lowest wages—about \$150 a month—for the hardest work. Suddenly, initiative is no longer a dirty word. "The more the brigades produce, the more they eat," explains Aleksei A. Vershinin, director of the Institute of Agricultural Economics at Novosibirsk. Although Soviet officials squirm at the notion, the brigade system in agriculture has meant the re-introduction of family farming in some parts of the country.

The ultimate purpose of the brigade system and other workplace changes, such as managers' new authority to dole out 30% merit raises, is to compensate for severe Soviet labor shortages with enhanced productivity. Another key action is the proposed abolition of "production associations," bureaucracies that push paper between factories and the

Moscow ministries. That should put a small army of bureaucrats out of work and at the same time increase the autonomy of the working-level managers.

While squeezing out the middlemen, Gorbachev wants to create "superministries" to eliminate overlap and duplication in the existing system. He has already formed a top level Bureau of Machine Building to coordinate the work of 10 ministries overseeing machine manufacturing. And Soviet officials promise that a superministry to coordinate the 13 agencies now in charge of agriculture will appear shortly.

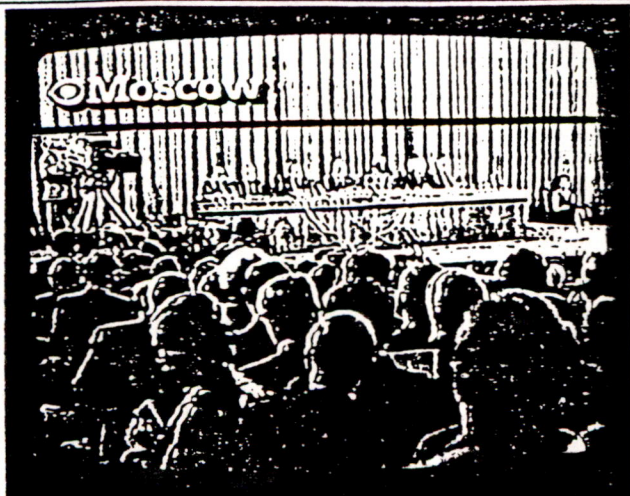
UNDERGROUND ECONOMY. Gorbachev borrowed the idea of erasing the middle-tier bureaucracy from Tatyana I. Zaslavskaya, a sociologist at the Novosibirsk Institute of Organization & Economics of Industrial Production. The institute's former director, Abel G. Aganbegyan, has long been considered the most vocal proponent of applying Western-style management techniques to the Soviet economy. Gorbachev has now brought Aganbegyan to Moscow to advise him on economic affairs.

Another page taken from the Novosibirsk book is the extension of private enterprise to services. Practically any service worth having, from car repair to a quality manicure, can be gotten only *nalyevo*, meaning "on the left," or on the black market. Aganbegyan and others advocate legalizing parts of the vast unofficial service economy, which employs 20 million people and has an annual turnover of about 6 billion rubles, or \$7.3 billion, according to *Izvestia*.

Soviets believe Gorbachev will broaden the now-limited foray into free enterprise. In Estonia and Georgia, for instance, craftsmen and repairmen are allowed to freelance after work. In Moscow, the Kiev Photo Assn. recently started an incentive plan that permits photographers to keep three-quarters of all revenues earned after goals are met. The results are obvious: In a back-alley studio, a young photographer with a 50-year-old wooden box camera attends to customers with speed and courtesy rarely seen in the capital city.

But these are individual examples. Overall, management experts are pessimistic about fundamental change. A Westerner who has been watching the experiment in the huge Fiat factory in Togliatti has seen qualitative improvements in production techniques, for which he credits the plant's "first-rate technicians." But as for managing the experiment, "no one is willing to take responsibility or chances," he says. "It's the legacy of the system they've worked in for years." History may prove this critic right—but Mikhail Gorbachev will certainly get credit for trying.

By Mark D'Anastasio in Moscow



CHIEF INVESTIGATOR SCHERBINA TOLD A MAY 6 PRESS CONFERENCE OF "SERIOUS MISCALCULATIONS ON THE PART OF LOCAL OFFICIALS"

THE SOVIETS END THEIR SILENCE —BUT THE DAMAGE KEEPS MOUNTING

The Soviet television reporter's voice was calm and reassuring. Standing on a busy street corner in Kiev, 90 mi. south of the site of the worst nuclear accident in history, he conceded that the situation at the stricken Chernobyl power plant remained "complicated." But, he told millions of viewers, "everything was under strict control."

Such assurances, though, did little to instill confidence, either inside the Soviet Union or throughout the world. After more than a week of fending off demands for information about the disaster, the Soviets finally opened up. Yet Russian press announcements carried an ominous undertone that suggested the worst may still lie ahead. Says one Ukrainian woman who fled to Moscow: "I'm used to not knowing most of what is going on in my country, but in this case I am deeply scared."

PANIC BUYING. Such fear is understandable—and contagious. With detectors around the world picking up radiation from the errant reactor—fallout was first detected in U.S. rainwater on May 6—there could be no question that Moscow's problem wasn't its alone. For Soviet leader Mikhail Gorbachev, the political and economic consequences in Europe were mounting.

European governments warned people living in the countryside not to drink rainwater. Children were told not to drink milk, and farmers were instructed

to keep their cows indoors. Official warnings about eating fresh foods triggered panic buying of frozen vegetables in Italy. German tabloids bore headlines screaming, "Atom-Angst." Sweden, Austria, and Italy all took individual steps to curb fresh-food imports from the Soviet bloc. The 12-nation European Community on May 7 banned fresh-food imports from the Soviet Union, Poland, Czechoslovakia, Hungary, Romania, and Bulgaria—countries within a 625-mi. radius of the stricken reactor.

Pravda: 'One should not develop an excessively . . . cheerful attitude'

The ban will jeopardize agricultural exports from Eastern Europe that are worth \$500 million a year. The EC barred fresh meat, poultry, milk, vegetables, fruit, and fish for an indefinite period of time. Hungary, Romania, and Bulgaria, in particular, will suffer losses on their early crops.

The effect on Soviet production is the biggest imponderable, since no one in the West knows how much land has been contaminated—or how badly. With Soviet water supplies almost certainly affected, the damage could be extensive.

Even so, commodity markets, after initial alarms, concluded that the world food glut will prevent any run-up in prices as a result of the disaster (box).

The political consequences of Chernobyl are easier to divine. West German Chancellor Helmut Kohl's Christian Democratic Union, which strongly supports nuclear power, faces a critical election in the province of Lower Saxony in early June. As a result of the disaster, the Greens, Germany's environmental party, now stand to make significant gains—enough perhaps to tip the balance to the opposition Social Democrats. **DELAYED DEBATE.** While there may not be electoral consequences elsewhere in Europe, the immediate political effect will be to further delay nuclear power development. Britain had planned to start debate soon on a new generation of reactors. That's now unlikely. In Holland, the government postponed until after May 21 elections a parliamentary debate over whether to build more nuclear power plants.

In Eastern Europe, the effect of Chernobyl may be greatest where the fallout was highest—in Poland. Some Western analysts believe that the disaster will rekindle opposition to Polish leader General Wojciech Jaruzelski. It could also cause problems for the Soviets in Hungary, where environmentalism is already a potent rallying cry for government critics. In East Germany, the govern-

ment fears the spread of Greens and other dissidents. To help bolster its allies, the Soviets could be obliged to offer new economic help—such as lower prices on Soviet oil—at next month's meeting of Comecon, the Eastern bloc's economic organization.

In the West, the initial condemnations of the Soviet Union's failure to warn its neighbors about the accident were diminishing. But that may have little to do with the government's belated attempts to repair the damage done to its image. Rather, as details of the extent of the disaster became known, sympathy tinged with horror began to supplant public anger.

DAMNING DETAILS. Official reaction was also muted. At the Tokyo summit, President Reagan and his fellow heads of government limited themselves to a relatively mild chiding of Moscow in their formal communiqué. That restraint stems in part from private fears that stronger comments might serve only to heighten public opposition to nuclear power in their own countries—all of which have large nuclear programs.

Despite Soviet denunciations of the foreign press for engaging in hysterical speculation, the details they disclosed were more damning than most earlier Western reports. Boris Shcherbina, chief of the government commission investigating the accident, revealed that half the 49,000 people evacuated from the vicinity of the Chernobyl plant weren't bused away until 36 hours after a chemical explosion blew the reactor building apart on Apr. 26. Even the 25,000 residents of the nearby town of Prip'yat, who were evacuated immediately, were moved only 9 mi. away—still well within the danger zone. Shcherbina attributed the delay to "serious miscalculations on the part of local officials."

Government authorities also waited 10 days before cautioning the 2.3 million residents of Kiev to take measures to safeguard their health. Now, thousands of Kiev residents are trying to flee. And Moscow belatedly acknowledged that radioactive fallout could affect not just the Ukraine but also Byelorussia and Moldavia—provinces to the north and south.

As the Soviet government began to tell its own citizens what happened, a disturbing tone emerged. On May 6, for example, the official newspaper *Pravda* warned that "one should not develop an excessively optimistic and cheerful attitude." In another article, two *Pravda* correspondents who viewed the disaster's epicenter from a helicopter warned that the situation remains "complicated as it was before."

The fire, the Soviets conceded, was still smoldering and radiation was still being released. Crews in protective clothing struggled to maintain cooling

IN THE FUTURES PITS, THE BAD NEWS WASN'T BAD ENOUGH

Commodity futures traders are old hands at profiting from such natural disasters as droughts, floods, and crop failures. So when word of the recent Soviet nuclear catastrophe filtered out, U.S. markets responded quickly and violently—prices of everything from wheat to crude oil skyrocketed amid predictions of Russian food and fuel shortages (chart). Some traders even began betting that U.S. inflation would be rekindled as massive Soviet grain purchases put upward pressure on prices.

But as more information becomes available about the Chernobyl disaster and as the problems arising from it come into better perspective, what is clear is that it will not spur a major commodities rebound. "What we had was a one-week rally. The major im-

Gerry M. Hildebrandt, vice-president for research at Clayton Brokerage Co. Even if 20% of the Ukrainian grain crop is destroyed because of Chernobyl, the Russians would need to buy only about 300 million bu. of corn. "That's just not that dramatic, and it won't have much impact on grain," says Hildebrandt. Grain prices got a small boost last week because of dry conditions in major planting regions, but such worries aren't serious enough to prompt a major advance. And the phasing-in of new, lower federal crop-support levels this year should more than negate any price impact of dry weather.

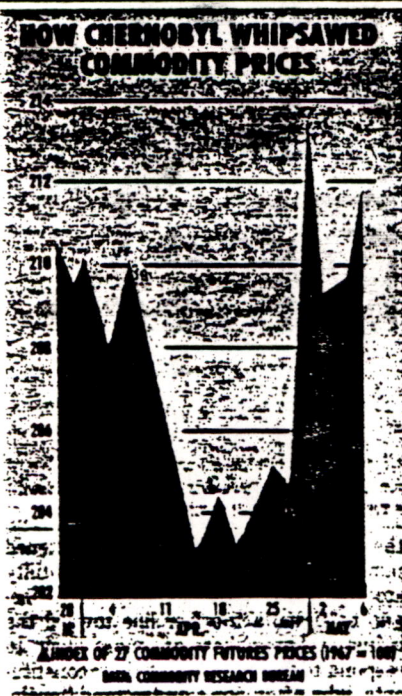
Oil futures benefited from predictions that the Russians would decrease oil exports as they shifted from nuclear to oil-generated power. But "even if the Soviet Union reduces oil exports, other producers will be more than glad to fill the void," says Gary Dorsch, senior money-market economist at G.H. Miller & Co., a Chicago futures-trading firm. Such major producers as Saudi Arabia are pumping only a small fraction of their oil capacity. That unused supply goes a long way toward preventing a rally, he adds.

HAMMERED GOLD. An early start to the traditional summer driving season could help increase U.S. gasoline consumption and stabilize prices in coming weeks, says Joel Karlin, director of research at Jack Carl Associates Inc. As a result, oil could stabilize at somewhere from \$14 to \$15.50 a bbl., after dipping to \$10 earlier this spring.

Gold might be the only commodity that sees big price swings in the wake of Chernobyl. The metal, a time-honored inflation hedge, has already suffered as U.S. inflation remained dormant. But now gold could be pounded by a second bearish factor—increased Russian gold sales. They could jump dramatically in the coming months as the Soviets scramble for hard currency to pay for cleanup efforts and whatever agricultural stores they buy to replace lost domestic production.

"With oil prices low and inflation down, gold is a depreciating asset," notes Hildebrandt. "The Russians can either go out and borrow money at around 8% or they can sell gold. I see them selling gold." If they do, gold futures could easily fall to \$328 an oz. from recent levels of roughly \$342—another casualty of Chernobyl.

By John N. Frank in Chicago



part of Chernobyl on the markets is over," says Roger A. Normen, a commodities analyst at AgriVisor Services Inc. Normen and other market pros base such predictions on the hard fact that the world remains awash in almost every major agricultural and industrial commodity. Even a sizable pickup in Russian demand will do little to end the depressing impact that those supplies have on prices.

In corn, for example, the U.S. has a surplus of roughly 4 billion bu., notes

systems at the other three reactors on the site. Soviet officials appeared worried that a companion reactor was so badly damaged that it, too, might fail. Other workers struggled to erect an earthen barrier to prevent contaminated water from flowing into the Pripyat River—a tributary of the Dnieper. That river provides irrigation and drinking water for much of the Ukraine.

Some water contamination seems inevitable. The radioactive fallout that blanketed a wide area will seep into the water supply. And the bulldozers arrived too late to prevent most of the damaged

reactor's cooling water—an enormous volume—from flowing into the Pripyat. Speculates one Western observer: "If they didn't believe there was a high risk of contaminating the Dnieper, they simply wouldn't have brought up the issue. They could be preparing the public for the worst." Almost two weeks after the Chernobyl incident, it was clear the Soviets were still engaged in a frantic struggle to get the situation under control.

By Mark D'Anastasio in Moscow, Frederic A. Miller in Bonn, Joyce Heard in Brussels, Bill Javetski in Washington, and William J. Holstein in New York

CAPITOL HILL

BATTLING THE BACKLASH AGAINST NUCLEAR ENERGY



LOBBYIST KUHN: "THE PHONES WERE RINGING OFF THE HOOK" AFTER CHERNOBYL

The Apr. 26 Chernobyl nuclear disaster represents the most serious challenge to U.S. nuclear utilities since the 1979 accident at Three Mile Island. But instead of treating the incident as a setback, the industry is viewing it as a potential public-relations bonanza. Pronuclear forces have launched a major lobbying drive aimed at highlighting the contrasts in safety practices in the U.S. and the Soviet Union. But given the strong political and economic resistance to new plant construction in the U.S., the best the industry can hope for is to head off any new restrictions from Congress and regulators.

"We knew from the start that Chernobyl would have an impact here," says Thomas R. Kuhn, executive vice-president of the Edison Electric Institute. "The phones were absolutely ringing off

the hook." As the disaster heightened public fear of nuclear power, utility stock prices fell, and key legislators began to signal a tougher line toward the industry. Lawmakers are more likely to respond to the concerns of their constituents, who often don't understand "nuclear mumbo-jumbo from the industry," says a Democratic House aide.

INDUSTRY POWWOW. In response, top executives of EEL, the Atomic Industrial Forum, the Committee for Energy Awareness, and the American Nuclear Energy Council met in Washington on May 2 to plan their offensive. The groups represent virtually every U.S. electric utility, nuclear-equipment maker, and uranium supplier. The officials decided to launch an all-out effort to show the superiority of U.S. technology, engineering, and operating procedures.

"We want to emphasize the U.S. industry commitment to safety," says Kuhn.

On May 7, William S. Lee, chairman and chief executive of Duke Power Co. and a longtime nuclear-safety advocate, kicked off the campaign. In an appearance before the New York Society of Security Analysts, Lee assured the financial community that the industry did not expect Chernobyl to lead to additional delays in the nearly two dozen U.S. plants now nearing completion. Those plants have already cost the industry nearly \$60 billion.

Meanwhile, the Committee for Energy Awareness, an industry information clearinghouse, prepared a pro-industry newspaper ad blitz and ordered public-opinion polls on U.S. attitudes toward nuclear power. Industry officials made plans to brief key members of Congress and their staffs on May 8 and laid on a heavy round of media briefings.

In mid-May, a two-day rally will bring hundreds of nuclear-power executives to Capitol Hill to sing the industry's praises. The rally is an annual event, but post-Chernobyl jitters give the gathering a new purpose. The industry's key goal will be to influence a pending House Interior Committee vote on legislation to renew nuclear accident-liability insurance programs. The utilities want to limit liability from nuclear accidents to \$2.4 billion. But there is strong sentiment for hiking the liability limit to \$8 billion.

BRAVE FRONT. Despite the big offensive, it's unlikely that industry attempts to praise U.S. nuclear safety practices will win many new converts. Debates continue to rage over unresolved emergency-evacuation procedures at Long Island Lighting Co.'s Shoreham plant and Public Service Co. of New Hampshire's Seabrook No. 1 facility. Public Citizen, a group founded by consumer activist Ralph Nader, has issued a report alleging that more than 20,000 mishaps have occurred at U.S. reactors since Three Mile Island, including more than 1,000 incidents that the Nuclear Regulatory Commission considers "significant." And critics note that five Tennessee Valley Authority nuclear plants, plus one Toledo Edison Co. facility, are shut down for safety reasons.

Antinuclear groups already have notched one apparent victory. Support for legislation to simplify power-plant licensing procedures, which was picking up steam just before the Chernobyl accident, has now faded. Although they are putting up a brave front, nuclear industry insiders privately concede that the name of the game now is really damage control.

By Barbara Starr and Richard Hoppe in Washington

GORBACHEV NEEDS ALL THE POWER HE CAN GET

SLIM ECONOMIC GAINS AND THE END OF THOUSANDS OF JOBS WILL TEST HIS STRENGTH

Nearly a year after taking over as General Secretary of the Communist Party, Soviet leader Mikhail S. Gorbachev will be invested with the full powers of his office in a Kremlin ritual as traditional as the coronation of a czar. From Feb. 25 to Mar. 7, some 5,000 delegates from the 15 Soviet republics to the party's 27th congress will rubber-stamp a new ideological program and organizational rules drawn up under Gorbachev's supervision.

More important, the congress will approve a five-year economic plan, drastically rewritten on Gorbachev's orders, that will provide the framework for his attempted overhaul of the sputtering Soviet economy. To provide political backing for this effort, the meeting in the marble-and-glass Palace of Congresses will elect a 330-member Central Committee, the party's main policymaking body, that will be packed with Gorbachev supporters. In turn, the Central Committee will ratify a 12-member Politburo, the Kremlin's inner circle of power, that already includes a majority in favor of economic reforms.

BAD LUCK. Gorbachev will need all that support—and more: His much-ballyhooed campaign to cut red tape, enforce "discipline" on managers and workers, and crack down on corruption and drunkenness has failed to spur the economy. Jan Vanous, research director of Washington-based PlanEcon Inc., estimates that growth of net material product, the Soviet measure of economic output, slipped to 3.1% in 1985, down from 3.2% in 1984. Bad luck caused much of the slowdown: Gorbachev came to office with Soviet transport snarled by the severest winter in half a century, in a year when export prices for oil and gas—the Soviets' chief hard-currency earners—were sliding (BW—Feb. 17). Whatever the cause of the problems, Gorbachev's meager achievements will make it harder for him to push his program against remaining skeptics within the party and inertia within the vast bureaucracy.

A test of Gorbachev's strength may come soon. In November, he put thousands of bureaucrats out of jobs by collapsing five agro-industrial ministries into a leaner "superministry." He is ex-



pected to push similar consolidations in energy and transport, creating waves of resentment and apprehension. Bureaucrats laid off in November were given three months' full pay—the Soviet Union's first awarding of unemployment benefits. But Vladimir Kostakov, deputy director of the State Planning Committee's research institute, predicts that manpower redeployment may temporarily cost 19 million workers their jobs over the next 15 years. In a country where the constitution guarantees every citizen a job, such a prospect is bound to stir a political backlash.

One tack by Gorbachev to deflect opposition, Soviet sources say, will be to

denounce predecessor Leonid I. Brezhnev in his keynote address to the congress. In doing so, he will lay the blame on Brezhnev and his cronies—some of them still in influential positions—for smothering economic reform and letting the country slide into corruption and alcoholism. "Gorbachev will name names," predicts an East European ambassador in Moscow. His speech may not be published in full. But the media-savvy Gorbachev may hold a press conference for foreign journalists—the first ever by a Soviet leader in Moscow—to exploit the presence of an unprecedented 2,500 visiting journalists, including American TV anchors.

One aim will be promotion of his proposals to negotiate the eventual abolition of strategic nuclear missiles and, most recently, the dismantling of Soviet and U.S. intermediate-range missiles in Europe. Gorbachev wants to "take the initiative away from President Reagan in shaping the political climate and the agenda for the next summit," says a Western observer in Moscow. Nevertheless, U.S. and European officials are interested in his intermediate-missile offer, although they say Gorbachev would have to back down on his demand that Britain and France freeze their nuclear weapons programs. Gorbachev's mandate from the party congress will strengthen his ability to negotiate seriously on such issues.

Although Gorbachev has been hit by economic misfortunes, he has also been "fantastically lucky," says a State Dept. official. "He walked into a system ripe for change and just at the right time before the congress. Statements of his policies are being written now by his people to be consecrated by the congress as national policy for the next five years."

REWARDS AND PENALTIES. So far the economic strategy that Gorbachev has sketched is ambitious in its goals but hardly revolutionary in its methods. According to Ed A. Hewett, a senior fellow at the Brookings Institution, it calls for annual growth in net material product of up to 4.1% between 1986 and 1990 and more than 5% in the 1990s. Gorbachev proposes to achieve his economic gains mainly by increasing the productivity of managers and workers, using a combination of administrative and economic rewards and penalties.

As part of his strategy, Gorbachev intends to give managers of factories and other enterprises somewhat greater autonomy in making decisions. "Gorbachev's overriding conviction seems to be that if he can get the right people into the right jobs, the system can be made to work," says the State Dept. official. "He does not seem to feel the need for any grand new designs. He is no Deng Xiaoping but a tough, confident, able repairman."

Such tinkering, many Westerners argue, will achieve only marginal improvements in Soviet economic performance. Hewett, for one, believes that a debate over more fundamental reforms will flare up after a few years, when the shortcomings of Gorbachev's strategy become apparent. If Gorbachev then decides he must push for more far-reaching economic changes, he will badly need all the authority and political power conferred on him by the 27th congress.

By Mark D'Anastasio in Moscow, Boyd France in Washington, and John Pearson in New York, with bureau reports

THE ECONOMIC SLEDGEHAMMER ABOUT TO LAND ON MARCOS

Philippine President Ferdinand E. Marcos might have thought the worst was over. After all, the National Assembly on Feb. 15 proclaimed him the winner of a fraud-ridden election, officially ending a bitter campaign. Instead, Marcos now faces an all-out economic assault. Opposition leader Corazon C. Aquino hopes to force Marcos to resign by attacking businesses run by his cohorts. And the U.S. Congress and international bankers are about to put him through a financial wringer.

Aquino appeared on Feb. 16 before more than half a million supporters, many dressed in her trademark yellow, to rally support for a Gandhi-like nonviolent struggle. The former housewife

er Philip C. Habib. But if Congress puts aid on hold, Reagan may well accede.

Marcos' relations with the International Monetary Fund and foreign banks are already at an impasse. Because of the political uncertainty, the IMF has delayed a review of the Philippine economy. The delay is holding up the next \$225 million installment of an IMF loan as well as \$350 million in commercial bank loans. "If things are disrupted, it's not possible for the IMF to have any meaningful discussion," says a financial source. The stalemate puts pressure on Marcos, who will have to reschedule the Philippines' \$25.6 billion debt—perhaps by summer.

CHOICE TARGETS. Marcos' men are desperately trying to turn around an economy that seems headed for a third straight year of contraction. To make matters worse, Marcos' election hand-outs caused the money supply to balloon so grotesquely that the central bank had to raise interest rates by 50% in one day to prevent a resurgence of double-digit inflation. The peso has slipped about 15% from its pre-election level as worried investors and speculators move capital into dollars.

As part of her push to get Marcos out, Aquino has picked big targets. Her boycott list includes seven banks, one of which is chaired by Eduardo M. Cojuangco Jr., who controls the country's coconut monopoly. Cojuangco, a major Marcos supporter, is also chairman of brewer San Miguel Corp., another Aquino target. San Miguel's stock price dropped 20% on the first day of the boycott, and the banks have been hit by withdrawals. Says one Aquino adviser: "We hope this campaign, combined with pressure from outside, will bring tremendous pressure on Marcos from within our own government."

Marcos backers insist they will ride out the storm. "Resign? I can't see any reason to resign," said Marcos, sitting amid the red velvet and gold-painted furniture of Malacanang Palace. But depending on the support she receives, Aquino will call for broader actions. She hopes to trigger the resignation of the key technocrats who manage the nation's economy. And worsening economic conditions could foment dissent within the army, whose role will be critical during any strikes or demonstrations. Marcos could soon find that his ability to govern has all but vanished.

By Dori Jones Yang and Dorinda Elliott in Manila, with Boyd France in Washington



BURNING IN EFFRY: MARCOS FACES A CAMPAIGN OF BOYCOTTS AND STRIKES

hopes her campaign of boycotts and a one-day national strike will bring Marcos' economic and political machinery to a halt. Says economist Jesus P. Estanislao: "She's saying, 'You claim you voted for me. Now let's count the votes in the economic sphere.'"

Aquino will get help from Washington. Congressional reaction to the rigged elections is so strong that a move to place this year's \$236 million in economic and military aid in escrow seems likely. President Reagan, who initially discounted election fraud, is now accusing Marcos of being primarily responsible. The Administration has not taken a position on aid, pending a report by troubleshoot-

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08. Resume	Re: Candidate for NSC staff position. (1 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09a. Letter	William E. Griffith to Robert Blackwill, Re: Candidate for NSC staff position. (1 pp.)	01/26/89	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
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Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09b. Resume	Re: Candidate for NSC staff position. (3 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed:	1/22/2013	OA/ID Number:	CF00182-004
FOIA/SYS Case #:	2012-3130-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

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Bob
Bill Griffith will call you
re this resume.

WLD

Document Originally
Attached to
Following Page

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09c. Resume	Re: Candidate for NSC staff position. (3 pp.)	n.d.	(b)(6)	

Collection:

Record Group: Bush Presidential Records
Office: National Security Council
Series: Blackwill, Robert D., Files
Subseries: Subject Files
WHORM Cat.:
File Location: [Resumes to Blackwill - NSC Staff Positions] [3]

Date Closed: 1/22/2013	OA/ID Number: CF00182-004
FOIA/SYS Case #: 2012-3130-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
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