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# WITHDRAWAL SHEET

## Ronald Reagan Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. e-mail	to Rodman re: comments by Soviet trade official on Soviet foreign trade policy (2pp)	1/26/88	P-1
2. cable	from Am. Embassy Moscow to Sec. of State (2pp)	2/1/88	P-1
COLLECTION:			
DANZANSKY, STEPHEN I.: Files			db
FILE FOLDER:			
(13 of 13) <del>670677</del> RAC Box 12 Soviet Union (JCC) <del>Box 8</del> <del>Box 91819</del>			11/16/94

### 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 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].

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

- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
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- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].
- C. Closed in accordance with restrictions contained in donor's deed of gift.

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## I. Dangers and Difficulties

--Tech Transfer: U.S. warming of econ relations with PR gives "go" signal to other western nations to relax or cheat on COCOM. Soviets clearly want high tech: KATUSCHEV head of Ministry of Foreign Economic Relations heart attack; MALKEVICH, strong KGB heading up Chamber of Commerce recently tasked to deal with JVs, may head up Soviet side.

--Managment and Investment: Soviets want. JVs provide opportunity for foreign investment and management w/o Soviet currency. But Soviets will have to produce hard currency and profits eventually; our people burned in China

--Soviet Intelligence gathering: under guise of "learning" western production and managment techniques in U.S. plants.

--Participation in INternational Institutions-Soviets will use "snow Job" tactics on Perestroika to indicate that they have shaken up the system sufficiently to warrant GATT membership.

--Atmospherics-try to gloss over lack of progress on other three pillars of relationship by showing a burst of activity on economics thus differentiating economics: business is business.

## UPSIDE

--no indication that Soviets remembering investment of the 1970s will want large scale turnkey plants without managment or integration with their system.

--Soviets have no money and economic down turn in 1987-88 won't provide them with much liquidity for purchasing goods or equipment for their economy

--Present structure of joint venture law may be bargaining position by will not allow for many takers because of currency and management problems. Export earnings only; no real access to Soviet market.

separate

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<SUBJ>SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF  
-- GORBACHEV'S ECONOMIC REFORMS. PART I

<TEXT>

UNCLAS SECTION 01 OF 11 MOSCOW 21825  
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E.O. 12356: N/A  
TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF  
-- GORBACHEV'S ECONOMIC REFORMS. PART I

1. INTRODUCTION: ON JANUARY 1, 1988 THE USSR WILL ENTER THE SECOND, CRUCIAL PHASE OF ITS ECONOMIC REFORM PROGRAM. UNTIL NOW, GORBACHEV'S PERESTROYKA HAS CONSISTED LARGELY OF A FLURRY OF DECREES AND A SERIES OF LOCAL EXPERIMENTS. THEIR IMPACT ON ENTERPRISES AND OVERALL ECONOMIC PERFORMANCE (AND MOST IMPORTANTLY, ON THE INDIVIDUAL SOVIET WORKER AND CONSUMER) HAS GENERALLY BEEN RATHER MODEST TO DATE. HOWEVER, WHAT WE HAVE SEEN SINCE GORBACHEV'S ACCESSION TO POWER IN MARCH 1985 IS A PROCESS OF LEARNING AND EXPERIMENTATION, AS HE AND HIS ADVISORS, IMPATIENT TO GET THEIR COUNTRY MOVING AGAIN AFTER YEARS OF STAGNATION, SEEK TO ASSEMBLE A COHERENT REFORM PACKAGE THAT IS BOTH ECONOMICALLY VIABLE AND IDEOLOGICALLY PALATABLE. MUCH OF THE VIGOROUS ECONOMIC DEBATE UNDER GORBACHEV, AND THE ACCOMPANYING TRIAL AND ERROR, COALESCED IN THE "LAW ON THE STATE ENTERPRISE" WITH ITS 11 IMPLEMENTING DECREES AND THE "BASIC PROVISIONS FOR FUNDAMENTALLY REORGANIZING ECONOMIC MANAGEMENT," ADOPTED AT THE JUNE 1987 CENTRAL COMMITTEE PLENUM AND SCHEDULED TO TAKE EFFECT ON JANUARY 1, 1988. TOGETHER WITH A NUMBER OF OTHER DECREES AND ACTIONS SINCE MARCH 1985, THEY LAY THE GROUNDWORK FOR WHAT IS INTENDED TO BE A SWEEPING DECENTRALIZATION OF THE SOVIET ECONOMY, RAISING PRODUCT QUALITY AND SPURRING ENTERPRISE INITIATIVE, FLEXIBILITY AND PROFITABILITY THROUGH A BROAD RANGE OF LEGAL, FINANCIAL AND MANAGERIAL MECHANISMS. THE SOVIET ECONOMY IS TO SHIFT FROM STALINIST, "EXTENSIVE" GROWTH BASED ON RESOURCE MOBILIZATION TO "INTENSIVE" DEVELOPMENT THROUGH GREATER EFFICIENCY AND PRODUCTIVITY. GORBACHEV'S ECONOMIC REFORM AGENDA HAS GENERATED INTENSE INTEREST WORLDWIDE, AND WILL AFFECT MANY ASPECTS OF US-SOVIET RELATIONS: STRATEGIC, COMMERCIAL, ECONOMIC, POLITICAL AND IDEOLOGICAL. IN VIEW OF THIS, AND THE MAGNITUDE OF THE CHANGES TO

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TAKE EFFECT STARTING NEXT WEEK, WE HAVE DRAWN TOGETHER EMBASSY REPORTS AND NUMEROUS OTHER SOURCES TO COMPILE A SUMMARY OF GORBACHEV'S KEY ECONOMIC INITIATIVES TO DATE. (WHERE SOVIET OFFICIALS HAVE CITED FIGURES DIFFERING FROM THOSE PUBLISHED ELSEWHERE, WE HAVE USED THOSE WHICH SEEM THE MOST AUTHORITATIVE.) A SEPARATE REPORT PROVIDES AN OVERVIEW OF WHAT IS SCHEDULED TO BEGIN ON JANUARY 1. TAKEN TOGETHER, THESE CABLES SEEK TO GIVE ADDRESSEES A FRAME OF REFERENCE FOR FOLLOWING PERESTROYKA AS IT ENTERS THE CRITICAL THREE-YEAR TRANSITION TO THE "NEW ECONOMIC METHODS" TO BE IN PLACE BY THE START OF THE 13TH FIVE-YEAR PLAN IN 1991. END INTRODUCTION.

2. A CHRONOLOGY OF PERESTROYKA  
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3/85

-- GORBACHEV BECOMES GENERAL SECRETARY, MARCH 11.

5/85

-- SELF-FINANCING: SELF-FINANCING EXPERIMENT BEGINS AT THE VOLGA AUTOMOBILE PLANT (VAZ) IN TOGLIATTI AND THE FRUNZE MACHINE BUILDING PRODUCTION ASSOCIATION IN SUMY. MANAGERS ARE GIVEN DISCRETIONARY AUTHORITY IN THE USE OF PROFITS FOR INVESTMENT, INCENTIVES AND OTHER PURPOSES, WITHIN DESIGNATED GUIDELINES. PERCEIVED AS THE SECOND STEP ON THE ROAD TOWARD ECONOMIC REFORM AFTER THE "LARGE-SCALE ECONOMIC EXPERIMENT" IN DECENTRALIZATION, GIVING ENTERPRISES GREATER CONTROL OVER INVESTMENT AND WAGE FUNDS, INTRODUCED IN FIVE INDUSTRIAL MINISTRIES ON JANUARY 1, 1984 UNDER ANDROPOV.

-- LABOR DISCIPLINE: ANTI-ALCOHOL CAMPAIGN INITIATED. THE MINIMUM LEGAL AGE FOR DRINKING IS RAISED TO 21, HOURS OF ALCOHOL SALE ARE RESTRICTED, THE NUMBER OF UNCLAS SECTION 02 OF 11 MOSCOW 21825

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF OUTLETS SELLING ALCOHOL IS REDUCED, AND THERE IS A GRADUAL REDUCTION IN THE PRODUCTION OF VODKA. THREE MONTHS AFTER THE START OF THE CAMPAIGN, PRICES OF ALCOHOLIC BEVERAGES ARE RAISED BY 15-25 PERCENT, AND AGAIN BY 20-25 PERCENT ONE YEAR LATER.

6/85

-- SCIENCE AND TECHNOLOGY: DECREE ON S&T PROGRESS INCLUDES NEW PRICE INCENTIVES FOR QUALITY AND "TECHNICAL DYNAMISM," AND DECENTRALIZES INVESTMENT. SPECIFIC MEASURES INCLUDE INCREASES OF UP TO 20 PERCENT ON THE WHOLESALE PRICE SUPPLEMENT FOR MACHINERY AND SPARE PARTS EXPORTED TO HARD CURRENCY COUNTRIES, STARTING IN 1986; AND ASSURANCES THAT SOVIET ENTERPRISES WILL HAVE ACCESS TO FOREIGN CURRENCY THEY HAVE EARNED FROM DELIVERY OF EXPORT PRODUCTS. AS OF 1986, THE COST OF A PRODUCER'S REPAIR OF DEFECTIVE PRODUCTS MUST COME DIRECTLY FROM THE FIRM'S MATERIAL

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INCENTIVE FUND: FOR EACH ONE PERCENT OF THE SHARE OF DEFECTIVE PRODUCTS IN THE TOTAL VALUE OF OUTPUT, THE PENALTY IS FIVE PERCENT UP TO A MAXIMUM OF 20 PERCENT OF THE FUND.

7/85

-- CONSTRUCTION: SERGEY F. VOYENUSHKIN, A CRITIC OF CONSTRUCTION PRACTICES AND AN ESTABLISHED INNOVATOR, APPOINTED MINISTER OF THE CONSTRUCTION MATERIALS INDUSTRY.

9/85

-- CONSUMER SECTOR: COUNCIL OF MINISTERS DECREE REQUIRES ALL ENTERPRISES TO BE GIVEN MANDATORY TARGETS FOR PROVIDING SERVICES OF SOME KIND TO THEIR WORKERS, AND WHEREVER FEASIBLE TO THE GENERAL PUBLIC.

10/85

-- MACHINE BUILDING: ELEVEN MACHINE TOOL MINISTRIES PUT UNDER THE COUNCIL OF MINISTERS' BUREAU FOR MACHINE BUILDING. HEADED BY FORMER MINISTER OF THE AVIATION INDUSTRY IVAN S. SILAYEV, THE BUREAU IS CHARGED WITH RAISING THE LEVEL OF COORDINATION IN THE MACHINE BUILDING INDUSTRY.

-- SCIENCE AND TECHNOLOGY: CREATION OF THE MAIN ADMINISTRATION FOR THE CREATION AND USE OF SPACE TECHNOLOGY IN THE NATIONAL ECONOMY AND SPACE RESEARCH (GLAVKOSMOS), HEADED BY A.I. DUNAEV. FUNCTION IS TO "CIVILIANIZE" AT LEAST PART OF THE SPACE PROGRAM TO REAP GREATER ECONOMIC BENEFIT.

-- CONSUMER SECTOR: "COMPREHENSIVE PROGRAM FOR THE DEVELOPMENT OF CONSUMER GOODS PRODUCTION AND THE SERVICE SECTOR FOR THE YEARS 1986-2000" ADOPTED. BESIDES PROMISING GREATER ATTENTION TO CONSUMER NEEDS, THE PROGRAM ESTABLISHES A NEW, CENTRALLY-SET PLAN TARGET BEGINNING IN 1988: TOTAL SERVICES PAID FOR BY THE POPULATION FROM PERSONAL INCOME.

-- FOREIGN TRADE: NIKOLAY PATOLICHEV, MINISTER OF FOREIGN TRADE FOR 27 YEARS, REPLACED BY BORIS ARISTOV.

-- GOSPLAN: GOSPLAN CHAIRMAN NIKOLAY BAYBAKOV REPLACED BY NIKOLAY TALYZIN, OCTOBER 14.

11/85

-- AGRICULTURE: FIVE AGRICULTURAL MINISTERS, ONE STATE COMMITTEE AND ELEMENTS OF THREE OTHER MINISTRIES (IN AGRICULTURAL SERVICES, FARMING, AND FOOD, MEAT AND DAIRY PROCESSING) COMBINED INTO THE STATE AGROINDUSTRIAL COMMITTEE (GOSAGROPROM), HEADED BY GORBACHEV ASSOCIATE VSEVOLOD MURAKHOVSKIY. GOSAGROPROM MAKES AND COORDINATES AGRICULTURAL POLICY WITHIN THE AGROINDUSTRIAL SECTOR, AND IS RESPONSIBLE FOR FOREIGN TRADE IN FOODSTUFFS, FUR, SEEDS AND CATTLE. MINISTRIES IN CHARGE OF LAND RECLAMATION AND AGRICULTURAL INPUTS

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SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF



(MACHINERY AND FERTILIZERS) REMAIN INDEPENDENT ENTITIES. THE MINISTRY OF PROCUREMENT IS SPLIT, WITH FOOD GRAIN PROCUREMENT AND PROCESSING EMBODIED IN A NEW MINISTRY AND ALL ITS OTHER FUNCTIONS ABSORBED BY GOSAGROPROM. THE REORGANIZATION IS ALSO INTENDED TO STRENGTHEN THE REGIONAL AGRICULTURAL PRODUCTION ASSOCIATIONS (RAPO) SET UP IN THE 1982 FOOD PROGRAM. (ADOPTED AT THE MAY 1982 CENTRAL COMMITTEE PLENUM, THE "BREZHNEV FOOD PROGRAM" IN ACTUALITY WAS LARGELY A PRODUCT OF GORBACHEV, THE CPSU CC SECRETARY FOR AGRICULTURE 1978-85.)

1/86

-- MANAGEMENT: COMMISSION FOR THE IMPROVEMENT OF MANAGEMENT, PLANNING AND THE ECONOMIC MECHANISM (THE TALYZIN COMMISSION), HEADED BY GOSPLAN CHAIRMAN NIKOLAY TALYZIN, IS ESTABLISHED UNDER THE COUNCIL OF MINISTERS TO ELABORATE AND IMPLEMENT MEASURES FOR A COMPREHENSIVE DEVELOPMENT OF THE MANAGEMENT SYSTEM.

-- AGRICULTURE: EXTENSION TO STAVROPOL KRAY OF LITHUANIAN SSR EXPERIMENT IN DECENTRALIZED PLANNING. CENTRALLY SET PROCUREMENT TARGETS SPECIFY ONLY THE AMOUNT OF PRODUCE TO BE DELIVERED FOR ALL-UNION SUPPLIES, ALLOWING LOCAL AUTHORITIES A GREATER ROLE IN PROVIDING LOCAL FOOD SUPPLIES.

-- COOPERATIVES: DECREE INSTRUCTS CONSUMER COOPERATIVES (OPERATING MAINLY IN RURAL AREAS) AND STATE AND COLLECTIVE FARMS TO EXPAND PRODUCTION OF SIMPLER KINDS OF CONSUMER GOODS, USING OFF-SEASON FARM LABOR, AND PROVIDE A SHARPLY INCREASED NUMBER OF SERVICES TO RURAL WORKERS.

-- LABOR PRODUCTIVITY: BELORUSSIAN RAILROAD (BRR) LABOR-SAVING EXPERIMENT, BEGUN IN 1983, EXTENDED TO 10 MORE OF THE USSR'S 32 RAILROADS, AND TO TWO SUBWAYS (MINSK AND KHARKOV). CLAIMED RESULTS ON THE BRR: FROM 1983-85 LABOR PRODUCTIVITY INCREASED 32 PERCENT, AVERAGE MONTHLY WAGES ROSE 22.4 PERCENT, AND STAFF WAS REDUCED BY 13,200 PERSONS (11 PERCENT). IN CONTRAST TO THE LABOR-SAVING EXPERIMENT BEGUN IN OCTOBER 1967 AT THE SHCHEKINO CHEMICAL COMBINE OUTSIDE OF TULA, WHERE WAGE SAVINGS FROM STAFF REDUCTIONS WERE DISTRIBUTED AT THE MINISTRY'S DISCRETION AS BONUSES, AND THE WAGE FUND ITSELF WAS GRADUALLY REDUCED, AT THE BRR THE HIGHER WAGES FOR REMAINING WORKERS WERE MADE MORE SECURE BY ADDING THE SAVINGS TO BASE WAGE SCALES.

2/86

-- REFORM AGENDA: AT THE 27TH CPSU CONGRESS, GORBACHEV CALLS FOR "RADICAL" ECONOMIC REFORM.

3/86

-- ENERGY: BUREAU FOR THE FUEL AND ENERGY COMPLEX CREATED UNDER THE COUNCIL OF MINISTERS, HEADED BY BORIS SHCHERBINA.

-- AGRICULTURE: MARCH 20 POLITBURO DECREE CONTAINS FOLLOWING KEY PROVISIONS: (A) STARTING IN 1987, OBLAST AND KRAY OFFICIALS WILL SET PROCUREMENT TARGETS FOR AGRICULTURAL PRODUCE DESTINED FOR "LOCAL SUPPLY"; (B) LOCAL AUTHORITIES ARE AUTHORIZED TO EXCHANGE FOOD PRODUCTS WITH OTHER REGIONS INSTEAD OF CHANNELING ALL REQUESTS THROUGH MOSCOW; (C) UNION REPUBLICS MAY SET PROCUREMENT PRICES FOR INDIVIDUAL FARM PRODUCTS AS LONG AS THE TOTAL PROCUREMENT BUDGET IS NOT EXCEEDED; (D)



MEAT AND POULTRY PRODUCTS RAISED UNDER CONTRACT WITH PRIVATE PLOT OWNERS WILL BE SOLD THROUGH CONSUMER COOPERATIVES RATHER THAN THROUGH STATE PROCUREMENT CHANNELS; (E) FARMS RECEIVE MORE DISCRETION IN DISPOSING OF OUTPUT, INCLUDING SELLING UP TO 30 PERCENT OF THEIR PROCUREMENT PLAN FOR FRUITS AND VEGETABLES, AND ALL ABOVE-PLAN PRODUCTION OF FRUITS, VEGETABLES, GRAIN AND LIVESTOCK, TO CONSUMER COOPERATIVES OR AT UNCLAS SECTION 04 OF 11 MOSCOW 21825

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF COLLECTIVE FARM MARKETS (A VERSION OF LENIN'S TAX IN KIND--PRODLOG--PROPOSED BY GORBACHEV AT THE 27TH PARTY CONGRESS); (F) MANY OF THE ARRANGEMENTS APPLIED IN THE INDUSTRIAL SECTOR (SUCH AS NORMATIVE PLANNING AND SELF-FINANCING) ARE EXTENDED TO FARMS; (G) WIDESPREAD USE ENDORSED OF COLLECTIVE (FAMILY AND PERSONAL) CONTRACTS, WHICH PUT FARM LABOR CREWS ON A DIFFERENT PAY STATUS TIED TO THE FINAL PRODUCT OF THEIR WORK. ALL AGRICULTURAL LAND IS TO BE TIED INTO COLLECTIVE CONTRACTS BY 1988. FARM LEADERS MAY ALLOW CONTRACT TEAM WORKERS TO KEEP 25 PERCENT OF ABOVE-CONTRACT PRODUCTION--A BONUS IN KIND--NOT TO COUNT TOWARD WAGES; (G) THE SYSTEM OF PAYING CASH ADVANCES DURING THE GROWING SEASON WITH A POST-HARVEST PAYMENT DEPENDING ON ACTUAL PRODUCTION IS EXPANDED TO INCLUDE MANAGERS AND PROFESSIONALS WORKING ON FARMS; (H) STATE FARM DIRECTORS ARE AUTHORIZED TO INCREASE WAGE RATES UP TO 150 PERCENT (PREVIOUSLY LIMITED TO 30 PERCENT) DEPENDING ON CROP YIELDS AND LIVESTOCK PRODUCTIVITY AS LONG AS OVERALL WAGE COSTS PER UNIT OF OUTPUT DO NOT GO UP; (I) PRIVATE HOUSING CONSTRUCTION IS ENCOURAGED BY ALLOWING STATE FARM DIRECTORS TO PAY FOR HALF OF CONSTRUCTION MATERIALS PURCHASED BY WORKERS FOR THIS PURPOSE; (J) FARM SELF-FINANCING IS STRENGTHENED BY TYING THE SIZE OF THE WAGE FUND DIRECTLY TO THE PLANNED GROSS VALUE OF OUTPUT. NORMS USED TO DETERMINE THE WAGE FUND ARE TO BE SET SO THAT WAGES DO NOT INCREASE FASTER THAN PRODUCTIVITY.

-- WAGES: IN EXPERIMENT IN 70 RESEARCH ORGANIZATIONS OF 33 MINISTRIES EMPLOYING 60,000 PERSONS, DIRECTORS ARE ALLOWED TO SET GUARANTEED MINIMUM WAGES FOR ALL EMPLOYEES AT 70-80 PERCENT OF EXISTING REGULAR SALARIES. EVERY WORKER CAN "EARN" AN ADDITIONAL PORTION OF HIS WAGE WHICH, TOGETHER WITH AN INCENTIVE BONUS, MAY EVEN EXCEED HIS FORMER SALARY, UP TO A CERTAIN CAP.

-- WHOLESALE TRADE: AT MARCH 27 MEETING, POLITBURO TAKES STEPS TO EXPAND WHOLESALE TRADE: EXCHANGE BY ENTERPRISES BASED ON SALES CONTRACTS RATHER THAN CENTRAL ALLOCATION BY THE STATE COMMITTEE FOR MATERIAL AND TECHNICAL SUPPLY (GOSSNAB) AND THE STATE PLANNING COMMITTEE (GOSPLAN). WHOLESALE TRADE IS EXTENDED IN



1987 TO A NUMBER OF NONPRODUCTION MINISTRIES (HEALTH, EDUCATION, CULTURE) AND TO ALL ENTERPRISES IN THE MINISTRY OF CONSTRUCTION, ROAD, AND MUNICIPAL MACHINE BUILDING.

-- SCIENCE AND TECHNOLOGY: NEW STATE COMMITTEE FOR COMPUTER TECHNOLOGY AND INFORMATION SCIENCE CREATED.

4/86

-- CONSUMER SECTOR: APRIL 24 CONSUMER GOODS DECREE ALLOWS INDIVIDUAL ENTERPRISES TO SELL ABOVE-PLAN OUTPUT TO "ANY TRADE ENTERPRISE OR ORGANIZATION." CENTRAL PLANNING TARGETS SENT DOWN TO ENTERPRISES ARE REDUCED, AND CONSUMER GOODS FACTORIES ARE ORDERED TO DETERMINE OUTPUT ON THE BASIS OF CONSUMER DEMAND EXPRESSED THROUGH CONTRACTS WITH RETAIL OUTLETS. CONSUMER GOODS ENTERPRISES ARE TO BE GIVEN GREATER FREEDOM TO NEGOTIATE THEIR OWN PRICES WITH RETAIL TRADE ORGANIZATIONS, REDUCING THE ROLE OF THE STATE COMMITTEE FOR PRICES TO THAT OF MONITORING THE PRICE LEVELS. THERE WILL BE NO CEILING ON PRICES OF "ESPECIALLY FASHIONABLE GOODS" TO EXPAND THEIR RANGE AND QUALITY.

5/86

-- PRIVATE LABOR: MAY 15 REGULATIONS GIVE EXPLICIT LEGAL SANCTIONS TO ITINERANT BRIGADES OF RURAL CONSTRUCTION AND FARM WORKERS (SHABASHNIKI). REGULATIONS ALSO PUT STRICT CONTROLS ON SUCH WORK AND LIMIT PAYMENT TO RATES PAID FOR COMPARABLE WORK IN THE STATE SECTOR.

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-- AGRICULTURE: MAY 15 POLITBURO AND COUNCIL OF MINISTERS DECREE OUTLINES STEPS TO EXPAND COLLECTIVE GARDENING AND ORDERS ALLOCATION OF A MILLION HECTARES A YEAR TO COLLECTIVE ORCHARDS AND GARDENS.

-- MANAGEMENT: MAY 15, THE COUNCIL OF MINISTERS ADOPTS A DECREE TO EXPAND THE RIGHTS OF PLANT DIRECTORS IN CONTROLLING THEIR MANAGERIAL STAFF LEVELS.

-- UNEARNED INCOME: POLITBURO AND COUNCIL OF MINISTERS (MAY 15) AND SUPREME SOVIET PRESIDUM (MAY 23) ADOPT DECREES ON COMBATING UNEARNED INCOME, EFFECTIVE JULY 1. THE DECREES STIFFEN PENALTIES FOR EMBEZZLEMENT, THEFT OF STATE PROPERTY, BRIBETAKING AND SPECULATION, BUT ALSO PROVIDE MORE DETAILED REGULATIONS AND PROCEDURES FOR TAXING PRIVATE INCOME, THUS FACILITATING LEGITIMIZATION OF SOME PRIVATE TRADE. PRIVATE TRANSACTIONS INVOLVING MORE THAN 5,000 RUBLES MUST BE MADE THROUGH A BANK. ANYONE MAKING A PURCHASE VALUED AT OVER 10,000 RUBLES, OR BUILDING A HOUSE COSTING MORE THAN 20,000 RUBLES, MUST REGISTER THE DEAL AND PROVIDE THE AUTHORITIES WITH DETAILS OF THE SOURCE OF HIS OR HER INCOME.

6/86



-- PACE OF REFORM: AT JUNE 20 CENTRAL COMMITTEE PLENUM ON THE PROGRESS OF ECONOMIC REFORM SINCE THE FEBRUARY PARTY CONGRESS, GORBACHEV CRITICIZES IMPLEMENTATION OF REFORM BY THE CENTRAL MINISTRIES AND PLANNING ORGANS.

-- DECENTRALIZATION: JUNE 20 POLITBURO DECREE EXPANDS THE POWERS OF REPUBLIC AND LOCAL SOVIETS TO COORDINATE THE EFFORTS OF LOCAL PLANTS AND ENTERPRISES IN SATISFYING LOCAL FOOD REQUIREMENTS AND BOOSTING THE PRODUCTION OF CONSUMER GOODS AND SERVICES.

7/86

-- UNEARNED INCOME: LAW ON UNEARNED INCOME GOES INTO EFFECT, JULY 1.

-- PACE OF REFORM: AT JULY 31 SPEECH IN Khabarovsk, GORBACHEV COMPLAINS OF THE SLOW PACE OF REFORM, PROMISES THAT THE FUNCTIONS OF GOSPLAN AND GOSSNAB WILL BE "REDEFINED" BECAUSE IT IS SIMPLY IMPOSSIBLE TO "MANAGE THE WHOLE OF THIS HUGE ECONOMY ONLY FROM THE CENTER," AND SPEAKS OF HIS RESTRUCTURING AS AMOUNTING TO A "REAL REVOLUTION".

-- ENERGY: NEW MINISTRY OF ATOMIC POWER, HEADED BY NIKOLAY F. LUKONIN, IS CREATED IN THE WAKE OF THE APRIL CHERNOBYL ACCIDENT.

8/86

-- FOREIGN TRADE: SOVIET UNION SEEKS ADMITTANCE TO GATT AS AN OBSERVER.

-- FOREIGN TRADE: MONOPOLY OF MINISTRY OF FOREIGN TRADE BROKEN. ON AUGUST 15, THE POLITBURO EXTENDS AUTHORITY TO PARTICIPATE DIRECTLY IN FOREIGN TRADE, AND KEEP MOST HARD CURRENCY EARNINGS, TO 22 GOVERNMENT BODIES AND 77 ENTERPRISES, ACCOUNTING FOR 20 PERCENT OF TOTAL IMPORTS AND EXPORTS, (INCLUDING 14 PERCENT OF TOTAL EXPORTS, 65 PERCENT OF MACHINERY EXPORTS, AND 40 PERCENT OF FOREIGN TRADE IN MACHINERY AND EQUIPMENT). THESE ORGANIZATIONS ALSO RECEIVE EIGHT OF THE MFT'S FOREIGN TRADE ORGANIZATIONS (FTO) AND A NUMBER OF SPECIALIZED FIRMS, WHICH ARE PUT ON A CONTRACT BASIS AND RECEIVE A COMMISSION FOR THEIR SERVICES BASED ON THE SIZE OF A TRANSACTION. NEW FTOS ARE ALSO CREATED IN THE MINISTRIES AND ENTERPRISES, AS WELL AS IN THE SOVIET REPUBLICS. ORGANIZATIONS RECEIVING FOREIGN TRADE RIGHTS ARE HEAVILY CONCENTRATED IN MACHINERY AND EQUIPMENT PRODUCTION (49 OF 71 ENTERPRISES AND PRODUCTION ASSOCIATIONS AND 9 OF 14 MINISTRIES

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF DESIGNATED). THE CHEMICAL, PETROCHEMICAL AND OIL REFINING SECTORS ARE ALSO STRONGLY REPRESENTED. THE 80 PERCENT OF FOREIGN TRADE STILL CONTROLLED BY MFT IS PRIMARILY AGRICULTURAL PRODUCE, RAW MATERIALS, FOOD AND FUELS. A NEW STATE FOREIGN ECONOMIC COMMISSION IS ALSO CREATED TO SUPERVISE THE SOVIET FOREIGN TRADE SYSTEM,



CHAIRMAN BY A DEPUTY PREMIER (PRESENTLY VLADIMIR M. KAMENTSEV, FORMER MINISTER OF THE FISHING INDUSTRY). THE COMMITTEE COORDINATES THE WORK OF ALL MINISTRIES, DEPARTMENTS AND ORGANIZATIONS ENGAGED IN FOREIGN TRADE, AND DRAFTS FOREIGN ECONOMIC POLICY GUIDELINES.

-- REGIONAL DEVELOPMENT: AUGUST 16 POLITBURO DECREE ORDERS CESSATION OF WORK ON THE PROJECT TO DIVERT WATERS OF NORTHERN AND SIBERIAN RIVERS TO CENTRAL ASIA. DECREE INSTRUCTS CENTRAL ASIAN AGRICULTURAL AREAS TO USE EXISTING WATER RESOURCES MORE EFFICIENTLY INSTEAD OF RELYING ON CENTRAL INVESTMENT (ESTIMATED AT 90 BILLION RUBLES FOR THIS PROJECT).

-- AGRICULTURE: AUGUST 6 CENTRAL COMMITTEE AND COUNCIL OF MINISTERS DECREE ON GRAIN PRODUCTION CALLS FOR MORE USE OF INTENSIVE TECHNOLOGY, GREATER ACCOUNTABILITY (I.E., KHOZRASCHET), MATERIAL INCENTIVES, MORE EFFECTIVE USE OF FARM INPUTS, AND CREATION OF AN AGRICULTURAL EXTENSION SERVICE.

-- CONSTRUCTION: AUGUST 15 POLITBURO MEETING ADOPTS A DECREE CHANGING THE STATE COMMITTEE FOR CONSTRUCTION AFFAIRS TO THE UNION-REPUBLIC STATE CONSTRUCTION COMMITTEE UNDER THE COUNCIL OF MINISTERS, HEADED BY YURIY P. BATALIN. THE COMMISSION IS TO PLAN AND SUPERVISE THE WORK OF CONSTRUCTION MINISTRIES, IMPROVE QUALITY CONTROL IN CONSTRUCTION AND SPEED UP CONSTRUCTION WORK. FOUR MINISTRIES RESPONSIBLE FOR CONSTRUCTION IN VARIOUS REGIONS OF THE USSR ARE ALSO CREATED, AND THE RIGHTS OF REPUBLIC COUNCILS OF MINISTERS IN CONSTRUCTION MATTERS ARE "SUBSTANTIALLY WIDENED".

-- PRICES: CONSERVATIVE CHAIRMAN OF THE STATE COMMITTEE FOR PRICES (GOSKOMTSEN) NIKOLAY GLUSHKOV, WHO HAD RULED OUT ANY CHANGES IN THE PRICE SYSTEM BEFORE 1990, REPLACED BY V.S. PAVLOV, AUGUST 16.

-- LEGAL AGENDA: ON AUGUST 28, THE COUNCIL OF MINISTERS AND SUPREME SOVIET PRESIDUM ADOPT A DECREE LISTING 38 SUBJECTS ON WHICH LAWS ARE TO BE ADOPTED IN THE NEXT FIVE YEARS.

9/86

-- CONSTRUCTION: DECREES OF THE CENTRAL COMMITTEE AND COUNCIL OF MINISTERS SEEK TO IMPROVE THE CONSTRUCTION INDUSTRY BY REORGANIZING IT ON A REGIONAL BASIS, ALLOWING CONSTRUCTION AGENCIES TO KEEP 75 PERCENT OF COST SAVINGS ACHIEVED, AND INCREASING INCENTIVES FOR SPEEDY COMMISSIONING OF PROJECTS. THE KEY PLANNING INDICATORS FOR CONSTRUCTION ENTERPRISES ARE TO BE PROFIT AND PROJECT COMPLETION. PRICES WILL BE BASED ON CONTRACTS, WITHIN ESTABLISHED NORMS FOR ESTIMATES. THE CONSTRUCTION INDUSTRY IS TO GRADUALLY MOVE TO THE SUMY/VAZ SELF-FINANCING SYSTEM.

-- PACE OF REFORM: IN KRASNODAR ON SEPTEMBER 18, GORBACHEV AGAIN ATTACKS CENTRAL PLANNING ORGANS AND STATES THAT "THE MOST IMPORTANT POLITICAL DECISIONS" IN THE CPSU CENTRAL COMMITTEE CAN BE "RENDERED LIFELESS BY THE ACTIVITY OF THE UPPER ECHELONS OF MANAGEMENT." HE WARNS THAT IT IS A "DANGEROUS PATH" FOR GOSPLAN AND THE MINISTRIES IN EFFECT TO "REVISE THE DECISIONS OF THE CENTRAL COMMITTEE BEFORE THE INK ON DECISIONS IS BARELY DRY" BY POSTPONING AND AMENDING THEM. GORBACHEV ALSO MAKES FAVORABLE REFERENCES TO NEP AND STRESSES AGAIN



THE IMPORTANCE OF "SOCIAL JUSTICE" (PAYMENT ACCORDING TO PERFORMANCE) AND THE STRUGGLE AGAINST UNEARNED UNCLAS SECTION 07 OF 11 MOSCOW 21825

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF INCOME. FOR THE FIRST TIME, GORBACHEV DESCRIBES "DEMOCRATIZATION" OF SOVIET SOCIETY AS HIS MAIN PRIORITY.

-- WAGE REFORM: GENERAL WAGE REFORM DECREE ADOPTED. (SEE PART II UNDER "WAGES" FOR DETAILS.)  
10/86

-- AGRICULTURE: APPROVAL OF THE EXPERIMENT IN VERTICAL INTEGRATION AND FINANCIAL AUTONOMY AT THE KUBAN AGRO-INDUSTRIAL COMBINE AND ANNOUNCEMENT THAT 14 SIMILAR COMBINES ARE TO BE CREATED. (THE KUBAN COMBINE INCLUDES ALL THE FARMS AND SUPPORTING AGENCIES IN THE TIMASHEVSKIY DISTRICT OF KRASNODAR KRAY AND IS SUPPOSED TO BE SELF-SUPPORTING. AFTER SELLING A DESIGNATED PORTION OF ITS OUTPUT TO THE STATE, THE COMBINE CAN SELL THE REST THROUGH ITS OWN NETWORK OF FOOD STORES AT WHATEVER PRICE IT CAN COMMAND.)

-- COOPERATIVES: REGULATIONS AUTHORIZE FORMATION OF SELF-FINANCING COOPERATIVES FOR THE COLLECTION AND UTILIZATION OF RECYCLED MATERIAL. THE REGULATIONS ARE ISSUED ON AN "EXPERIMENTAL" BASIS AND EXTEND ONLY TO LIMITED AREAS OF THE USSR. THEY SPECIFY TAX RATES THAT ARE PHASED IN GRADUALLY, PEAKING AFTER THREE YEARS AT 35 PERCENT OF THE COOPERATIVES' NET INCOME.

11/86

-- PRIVATE ENTERPRISE: LAW ON INDIVIDUAL LABOR ACTIVITY PASSED, TO TAKE EFFECT MAY 1, 1987. THE LAW SPELS OUT NEWLY PERMISSIBLE ACTIVITIES IN HANDICRAFTS AND SERVICES, THE MOST IMPORTANT BEING PRIVATE RENTAL OF ROOMS AND PRIVATE TAXI SERVICES. ACTIVITIES NOT LISTED MAY BE ALLOWED BY LOCAL AUTHORITIES. THE LAW DEFINES THOSE PERSONS ALLOWED TO ENGAGE IN PRIVATE ACTIVITY (STATE EMPLOYEES OUTSIDE WORKING HOURS, PENSIONERS, HOUSEWIVES, STUDENTS AND THE HANDICAPPED). HIRING AND MIDDLEMAN TRADE ARE FORBIDDEN, AND PRIVATE BUSINESSES ARE RESTRICTED TO SINGLE INDIVIDUALS AND FAMILY MEMBERS. INDIVIDUALS MUST REGISTER WITH THE STATE AND PAY EITHER A "PROGRESSIVE" INCOME TAX OR AN ANNUAL LICENSE FEE.

-- SUPPLY SYSTEM: DECEMBER 15 DECREES ESTABLISH PENALTIES FOR ENTERPRISES HOLDING ABOVE-NORM STOCKS AND AUTHORIZE THEM TO SELL ANY SURPLUS ITEMS TO OTHER ENTERPRISES, COOPERATIVES OR INDIVIDUALS. SUPPLY AGENCIES ARE INSTRUCTED TO SET UP BROKERAGE SERVICES TO FACILITATE THE SALE OF SURPLUS MATERIALS AND EQUIPMENT.

1/87

-- FOREIGN TRADE: AUGUST 15 FOREIGN TRADE REFORM GOES



INTO EFFECT ON JANUARY 1.

-- FOREIGN TRADE: ON JANUARY 12, THE RESEARCH INSTITUTE OF FOREIGN ECONOMIC RELATIONS, HEADED BY IGOR FAMINSKY, IS CREATED UNDER THE KAMENTSEV COMMISSION.

-- AGRICULTURE: ON JANUARY 23, GORBACHEV, LIGACHEV AND NIKONOV ADDRESS THE CENTRAL COMMITTEE ON AGRICULTURAL POLICY. GORBACHEV UNDERSCORES THE LEADERSHIP'S SUPPORT OF PERESTROYKA, NIKONOV CALLS THE "HUMAN FACTOR" THE KEY ELEMENT IN AGROECONOMIC REFORM AND ANNOUNCES THAT AS OF 1/1/88 ALL AGROINDUSTRIAL WORKERS, INCLUDING BUREAUCRATS, WILL BE PAID ACCORDING TO THEIR PRODUCTIVITY AND THAT OF THEIR SECTORS. LIGACHEV CALLS THE AGROINDUSTRIAL COMPLEX THE ECONOMY'S SINGLE MOST IMPORTANT SECTOR.

-- LABOR PRODUCTIVITY: BELORUSSIAN RAILROAD (BRR) EXPERIMENT EXTENDED TO ALL THE USSR'S RAILROADS AND SUBWAYS. ON THE 11 RAILROADS AND TWO SUBWAYS USING THE BRR METHOD IN 1986, LABOR PRODUCTIVITY ROSE 12.4 PERCENT, OVER 126,000 WORKERS WERE FREED, AND AVERAGE WAGES ROSE BY 30 RUBLES A MONTH. TRANSITION TO THE BRR UNCLAS SECTION 08 OF 11 MOSCOW 21825

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF METHOD IS EXPECTED TO FREE OVER 200,000 RAILROAD WORKERS IN 1987-1990.

-- QUALITY CONTROL: GOSPRIEMKA (STATE QUALITY ACCEPTANCE) INTRODUCED BY THE USSR STATE COMMITTEE FOR STANDARDS (GOSSTANDART) AT 1500 OF THE USSR'S 48,000 ENTERPRISES, BELONGING TO 28 MINISTRIES AND ACCOUNTING FOR 20 PERCENT OF TOTAL INDUSTRIAL OUTPUT, 40 PERCENT OF METALLURGICAL, CHEMICAL AND PETROLEUM OUTPUT AND 60 PERCENT OF THE OUTPUT OF THE MACHINE BUILDING SECTOR.

-- SELF-FINANCING: SEVEN MINISTRIES (IN CHEMICAL AND OIL MACHINE BUILDING, VEHICLE PRODUCTION, OIL AND GAS, INSTRUMENT MAKING AND THE MERCHANT MARINE) AND 36 ENTERPRISES OF OTHER MINISTRIES ARE CONVERTED TO THE SELF-FINANCING EXPERIMENT INTRODUCED IN 5/85 AT TOGLIATTI AND SUMY.

-- FOREIGN TRADE: ON JANUARY 13, THE COUNCIL OF MINISTERS PASSES DECREE ALLOWING ESTABLISHMENT OF JOINT VENTURES WITH CAPITALIST PARTNERS. KEY PROVISIONS: PRESIDENT AND EXECUTIVE DIRECTOR OF THE JV MUST BE SOVIET CITIZENS; MAXIMUM WESTERN EQUITY OF 49 PERCENT; JV OPERATES OUTSIDE THE FIVE-YEAR AND ANNUAL SOVIET ECONOMIC PLANS; INPUTS ARE PURCHASED THROUGH FOREIGN TRADE ORGANIZATIONS AT "WORLD MARKET" PRICES; EXEMPTION FROM CUSTOMS DUTIES ON EQUIPMENT AND SUPPLIES IMPORTED INTO THE USSR BY THE JV; 30 PERCENT TAX ON PROFITS AFTER A TWO-YEAR TAX HOLIDAY; AN ADDITIONAL TAX OF 20 PERCENT ON REPATRIATED PROFITS; ALL PROFITS REPATRIATED BY THE WESTERN PARTNER MUST BE GENERATED BY EXPORTS.



AREAS OF PRIMARY SOVIET INTEREST ARE CHEMICALS, DYING AGENTS AND FIBERS, MACHINERY, PULP AND PAPER, CONSUMER GOODS AND FOODSTUFFS.

-- DEMOCRATIZATION: AT CPSU PLENUM JANUARY 27-28, GORBACHEV CALLS FOR ELECTION OF PARTY, GOVERNMENT AND INDUSTRY OFFICIALS AND MANAGERS, AND MULTIPLE CANDIDACIES IN LOCAL GOVERNMENT ELECTIONS. FINAL RESOLUTION AUTHORIZES MANY FEWER ELECTIONS THAN GORBACHEV REQUESTED.

2/87

-- DRAFT OF THE LAW ON SOCIALIST ENTERPRISES PUBLISHED FOR PUBLIC DISCUSSION, FEBRUARY 8.

-- COOPERATIVES: POLITBURO APPROVES CREATION OF PRODUCER COOPERATIVES IN CONSUMER GOODS AND SERVICES AND FOOD SERVICE, FEBRUARY 5. COOPERATIVES MAY CONTRACT WITH STATE ENTERPRISES FOR TRANSPORTATION, USE OF FACILITIES AND REPAIR SERVICES. THEY CAN PLAN PRODUCTION, SET PRICES, AND DETERMINE MEMBERS' WAGES AND WORK RULES INDEPENDENTLY. PARTICIPATION IS SUBJECT TO THE SAME LIMITATIONS APPLIED TO SELF-EMPLOYMENT. EACH COOPERATIVE PAYS AN INCOME TAX TO THE LOCAL GOVERNMENT (2-3 PERCENT THE FIRST YEAR, 3-5 PERCENT THE SECOND, AND 10 PERCENT THEREAFTER).

5/87

-- PRIVATE ENTERPRISE: NOVEMBER 1986 LAW ON INDIVIDUAL LABOR ACTIVITY GOES INTO EFFECT MAY 1. BY DECEMBER, SOME 200,000 OF THE USSR'S 281 MILLION CITIZENS ARE REGISTERED FOR PRIVATE ACTIVITY UNDER THE LAW.

6/87

-- DEMOCRATIZATION: SUPREME SOVIETS ADOPTS TWO LAWS, EFFECTIVE 1/1/88, ENCOURAGING CITIZEN PARTICIPATION IN "RUNNING THE ECONOMY." ONE CALLS FOR PUBLIC DISCUSSION OF IMPORTANT ISSUES, ESPECIALLY LOCAL CONCERNS SUCH AS THE BUILDING OF A HOSPITAL OR ENVIRONMENTAL PROBLEMS. THE OTHER ALLOWS CITIZENS--POTENTIAL WHISTLEBLOWERS--TO FILE A COURT COMPLAINT AGAINST UNLAWFUL ACTIONS OF OFFICIALS.

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF

-- PACE OF REFORM: CPSU PARTY CONFERENCE ON REORGANIZATION OF THE ECONOMIC MECHANISM DISCUSSES ECONOMIC REFORM PROPOSALS, JUNE 8-9.

-- CENTRAL COMMITTEE PLENUM, JUNE 25-26, ADOPTS THE "BASIC PROVISIONS FOR FUNDAMENTALLY REORGANIZING ECONOMIC MANAGEMENT," THE LAW ON THE STATE ENTERPRISE (ASSOCIATION), AND 11 DECREES DEALING WITH MAJOR ASPECTS OF THE REFORM. MEASURES ARE ADOPTED BY THE SUPREME SOVIET ON JUNE 30. THE 11 DECREES COVER THE STATE PLANNING COMMITTEE (GOSPLAN), THE STATE COMMITTEE FOR MATERIAL AND TECHNICAL SUPPLY (GOSSNAB), THE STATE



COMMITTEE FOR SCIENCE AND TECHNOLOGY (GKNT), FINANCE, BANKING, STATISTICS, PRICE FORMATION, RESPONSIBILITIES OF REGIONAL BODIES, THE STATE COMMITTEE FOR LABOR AND SOCIAL PROBLEMS (GOSKOMTRUD), MINISTRIES, AND THE COUNCIL OF MINISTERS.

8/87

-- AGRICULTURE: CENTRAL COMMITTEE AUGUST 17 ADOPTS DECREE "ON THE PACE OF FULFILLMENT OF CPSU CENTRAL COMMITTEE DECREES ON MATTERS OF FURTHER DEVELOPMENT OF COLLECTIVE GARDENING, AND ELIMINATION OF FLAWS IN ORGANIZATION OF THIS WORK." DECREE NOTES THAT GROWTH IN PRODUCTION OF FRUITS AND VEGETABLES STILL LAGS BEHIND CONSUMER DEMAND AND CALLS ON STATE ORGANS TO SUPPORT EXPANSION OF COLLECTIVE GARDENING.

-- AGRICULTURE: AUGUST 12 CENTRAL COMMITTEE AND COUNCIL OF MINISTERS DECREE "ON IMPROVEMENT OF SCIENTIFIC SUPPORT OF DEVELOPMENT OF THE AGROINDUSTRIAL COMPLEX," CALLING FOR INTRODUCTION OF COST-ACCOUNTING AND END-USER CONTRACTING IN AGRICULTURAL RESEARCH. THE DECREE ALSO SETS GOALS AND DIRECTIONS FOR AGRICULTURAL RESEARCH INSTITUTIONS.

-- AGRICULTURE: ON AUGUST 5, GORBACHEV DURING A VISIT TO THE RAMENSKIY STATE FARM IN THE MOSCOW OBLAST PUBLICALLY RAISES THE TOPIC OF RENTING LAND TO COLLECTIVE CONTRACT BRIGADES.

-- REGIONAL DEVELOPMENT: GOSPLAN FIRST DEPUTY CHAIRMAN REUT ANNOUNCES 12-YEAR PLAN TO INVEST 232 BILLION RUBLES IN THE FAR EAST, TO MAKE IT SELF-SUFFICIENT IN ENERGY (SOUTH YAKUTIA COAL AND SAKHALIN OIL AND GAS) AND MOST AGRICULTURAL PRODUCTS BY THE YEAR 2000.

-- QUALITY CONTROL: AUGUST 13 DECREE EXTENDS GOSPRIEMKA TO AN ADDITIONAL 732 ENTERPRISES (INCLUDING 72 CONSTRUCTION ENTERPRISES, THOSE IN FOOD PROCESSING, AND ALL THOSE PRODUCING CARS, TRUCKS, BUSES, TRACTORS AND COMPLEX HOUSEHOLD MACHINES), AS WELL AS TO HOUSING AND SOCIAL-CULTURAL ORGANIZATIONS IN 20 REPUBLIC, KRAY AND OBLAST ENTITIES, AS OF 1/1/88.

9/87

-- AGRICULTURE: A CENTRAL COMMITTEE RESOLUTION DEMANDS THAT ALL AGRICULTURAL PRODUCTION UNITS ADOPT CONTRACTUAL FORMS OF LABOR ORGANIZATION IN 1988 AND THAT ALL AGRICULTURAL ORGANIZATIONS BE TRANSFERRED TO FULL COST ACCOUNTING (POL'NIY KHOZRASCHET) AND SELF-FINANCING IN 1988-1989.

-- COOPERATIVES: COUNCIL OF MINISTERS ADOPTS A RESOLUTION ALLOWING COOPERATIVES FOR MANUFACTURE OF CONFECTIONERY AND BAKED PRODUCTS.

10/87

-- CMEA: 43RD "EXTRAORDINARY" SESSION OF THE CMEA COUNCIL HELD OCTOBER 13-14 IN MOSCOW DISCUSSES CMEA RESTRUCTURING AND THE QUESTION OF BLOC-WIDE CURRENCY CONVERTIBILITY, ENVISIONED WITHIN 10-15 YEARS.

-- DEMOCRATIZATION: SUPREME SOVIET AMENDS THE JUNE UNCLAS SECTION 10 OF 11 MOSCOW 21825

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF 1987 LAW (EFFECTIVE 1/1/88) PROVIDING CITIZENS THE RIGHT TO SUE OFFICIALS, AND BROADENS PROTECTION FOR CITIZENS TAKING ACTION AGAINST OFFICIAL NEGLIGENCE.

-- FOREIGN TRADE: CENTRAL COMMITTEE AND COUNCIL OF MINISTERS DECREE CRITICIZES LACK OF PROGRESS IN RESTRUCTURING FOREIGN TRADE, AND PROVIDES FOR SEVERAL CHANGES: (1) MINISTRIES MAY SET UP JOINT VENTURES WITHOUT REQUIRING APPROVAL FROM OTHER AUTHORITIES; (2) SOVIET EXPORTING ENTERPRISES HAVE COMPLETE FREEDOM TO EXPORT GOODS, INCLUDING EQUIPMENT, IN EXCESS OF PLANNED DOMESTIC NEEDS; (3) JV GOODS PRODUCED ABROAD BUT PURCHASED BY THE SOVIET PARTNER WILL COUNT TOWARDS FULFILLMENT OF THE SOVIET ORGANIZATION'S PLAN; (4) MINISTRIES AND ENTERPRISES MAY SPEND THEIR HARD CURRENCY RETENTION QUOTAS FROM EXPORT REVENUES WITHOUT NEEDING APPROVAL OF ANY HIGHER BODY, SUBJECT TO GENERAL RESTRICTIONS ON WHAT THE MONEY CAN BE SPENT ON; (5) EXPORTING MINISTRIES AND ENTERPRISES MAY LEND SURPLUS HARD CURRENCY FUNDS TO OTHER SOVIET ENTERPRISES, AT A FIXED RATE OF INTEREST, OR INVEST THEM ABROAD, SUBJECT TO HIGHER APPROVAL; (6) THE TWO-YEAR PROFITS TAX HOLIDAY FOR JV FOREIGN PARTNERS WILL BE COUNTED FROM THE DATE ON WHICH THE PROFITS ARE GENERATED; AND (7) ENTERPRISES WILL RECEIVE GREATER FREEDOM TO MAKE DEALS WITHIN CMEA ON A MARKET BASIS, IRRESPECTIVE OF WHETHER THEY ARE INVOLVED IN FORMAL DIREG LINKS WITH ENTERPRISES IN PARTNER COUNTRIES.

-- PRICES: IN MURMANSK, GORBACHEV STATES THAT PLANNED REDUCTIONS IN STATE RETAIL PRICE SUBSIDIES (HE CITES 57 BILLION RUBLES, OR 10 PERCENT OF NET MATERIAL PRODUCT, FOR MEAT AND MILK IN 1986) WILL NOT LEAD TO A DROP IN ANYONE'S LIVING STANDARDS.

11/87

-- AGRICULTURE: POLITBURO ON NOVEMBER 23 ORDERS GOSAGROPROM TO GO TO FULL COST ACCOUNTING.

-- AGRICULTURE: A NOVEMBER 18 CENTRAL COMMITTEE CONFERENCE CHAIRED BY LIGACHEV UNDERSCORES THE LEADERSHIP'S SUPPORT OF PERESTROYKA IN AGRICULTURAL POLICY. THE CONFERENCE CRITICIZES REGIONAL LEADERS FOR NOT EMBRACING NEW POLICIES SUFFICIENTLY CLOSELY.

-- FOREIGN TRADE: NOVEMBER 11, FIRST SOVIET-AMERICAN JOINT VENTURE CREATED. COMBUSTION ENGINEERING, INC. OWNS 49 PERCENT OF A FIRM CALLED APPLIED ENGINEERED SYSTEMS, SET UP WITH THE MINISTRY OF OIL REFINING AND PETROCHEMICALS TO SUPPLY EQUIPMENT, SOFTWARE AND MANAGEMENT TVUPGRADE REFINERIES AND OTHER PLANTS. BASED AT NIZHNEKAMSK, EAST OF MOSCOW, THE JV WILL MANUFACTURE PROCESS CONTROLS THERE AND IN LENINGRAD AND INITIALLY WILL IMPORT US SOFTWARE. IT WILL START WITH A USD 12 MILLION CONTRACT TO UPGRADE A REFINERY AND HAS REPORTEDLY IDENTIFIED OTHER PROJECTS WORTH AT LEAST USD 200 MILLION IN THE NEXT FIVE YEARS.

-- PRICES: STATE COMMITTEE ON PRICES (GOSKOMTSEN) OFFICIALS STATE THAT PRICE HIKES FOR FOOD WILL BE CARRIED OUT "OPENLY," BUT THEY CANNOT SAY HOW SOON, AND



FOOD PRICE REFORM WILL NOT ELIMINATE THE CURRENT "60 BILLION RUBLE" SUBSIDY ON MILK AND MEAT SALES, BUT WILL ASSURE THAT THEY ARE DISTRIBUTED MORE EQUITABLY.

-- UNEMPLOYMENT: ON NOVEMBER 19, POLITBURO APPROVES PLANS TO CREATE AN "INTEGRAL STATE-WIDE JOB PLACEMENT SYSTEM FOR THE POPULATION," ENSURING THE "RIGHT TO LABOR" AND EXPANDING "EXISTING COMPENSATION" FOR THOSE "RELEASED UNDER NEW MANAGEMENT CONDITIONS". ON NOVEMBER 26, THE POLITBURO APPROVES PLANS TO "RETRAIN LEADING OFFICIALS AND SPECIALISTS OF THE NATIONAL ECONOMY" LIKELY TO BE RELEASED WITH THE INTRODUCTION OF THE "NEW MANAGEMENT METHODS".

UNCLAS SECTION 11 OF 11 MOSCOW 21825

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E.O. 12356: N/A

TAGS: ECON, EAGR, UR

SUBJECT: PERESTROYKA AT A GLANCE: A SUMMARY OF

12/87

-- AGRICULTURE: ON DECEMBER 25 A CENTRAL COMMITTEE AND COUNCIL OF MINISTERS DECREE IS PUBLISHED ORDERING GOSAGROPROM TO FULL COST-ACCOUNTING AND SELF-FINANCING. THE GOSAGROPROMS OF THE RSFSR, BELORUSSIA, LATVIA, LITHUANIA, AND SELECTED OBLASTS OF THE UKRAINE, KAZAKHSTAN, KIRGIZIA, AND UZBEKISTAN, PLUS ENTERPRISES AND ORGANIZATIONS DIRECTLY SUBORDINATE TO THE ALL-UNION GOSAGROPROM ARE ORDERED TO FULL COST-ACCOUNTING AND SELF-FINANCING EFFECTIVE JANUARY 1, 1988. ALL OTHERS ARE TO CONVERT AS SOON AS POSSIBLE BUT NO LATER THAN BY THE END OF 1989. THE REPUBLIC COUNCILS OF MINISTERS AND GOSAGROPROMS ARE ORDERED TO BOOST WHOLESALE SALE AND PURCHASING OF AGRICULTURAL EQUIPMENT (I.E. END-USER CONTRACTING INSTEAD OF ADMINISTRATIVE DISTRIBUTION OF INPUTS) TO 25 PERCENT OF EQUIPMENT TURNOVER IN 1988, TO 70 PERCENT IN 1990, AND 80 PERCENT IN 1992.

1/88

-- LAW ON SOCIALIST ENTERPRISE GOES INTO EFFECT.

-- BANKING: PERSONAL CHECKING ACCOUNTS INTRODUCED ON AN EXPERIMENTAL BASIS IN THE RSFSR. THE ACCOUNTS WILL EARN INTEREST AND CAN BE HELD AT SAVINGS BANKS (SBERKASSA). THE CHECKS ARE TO BE ACCEPTED AT ANY STORE IN THE RSFSR OR AT THE BANK (FOR CASH).

6/88

-- 19TH CPSU CONGRESS SCHEDULED FOR JUNE 28, TO REVIEW FIRST HALF OF THE FIVE-YEAR PLAN AND THE PROGRESS OF PERESTROYKA AND DEMOCRATIZATION.

3. LENINGRAD MINIMIZE CONSIDERED. MATLOCK

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OFFICE OF THE VICE PRESIDENT  
WASHINGTON, DC

December 14, 1987

MEMO FOR STEVE DANZANSKY

Attached, for your information and use, is a copy of the notetakers' version of the conversation that ensued during breakfast with Vice President Bush and General Secretary Gorbachev at the Soviet Embassy on Thursday, December 10, 1987.

*S.A. VanDevander*

Stephanie A. VanDevander  
Office of the Vice President  
Office of National Security  
Affairs

Attachment  
a/s

*R*

Vice President's-General Secretary Gorbachev

Breakfast, Soviet Embassy

December 10, 1987

(9:30 - 10:15 AM)

The breakfast discussion was preceded by 25 minutes of one-on-one discussion between the General Secretary and the Vice President.

Much of the discussion over the breakfast table was free-wheeling and somewhat difficult to follow as a result of the informal character of the exchanges.

The first topic that caught the General Secretary's interest was energy issues. The Vice President had begun by introducing Governor John Sununu of New Hampshire, Chairman of the National Governor's Conference, who was seated on Gorbachev's left.

Gorbachev asked Sununu what he thought about the development of nuclear energy sources.



Sununu: I support nuclear energy, although this is a political problem for me. The Chernobyl accident reinforced the political problem.

Gorbachev: The percentage of nuclear energy produced in the United States and the USSR is about the same (he gave a figure for the percentage). This contrasts with France and Belgium, which produce approximately 80% of their energy from nuclear sources. *He must mean electricity, figure still too high*

Sununu: Eventually both our countries will reach the levels of Belgium and France.

Gorbachev made some comments about US-Soviet cooperation in energy development, and asked Dr. Velikov to comment on the program.

Gorbachev: If nuclear power reactors were destroyed in France or some of these other countries, it would be a kind of nuclear war. The elimination of the effects of Chernobyl cost us 4 billion rubles. And this was not even the most difficult aspect of the Chernobyl situation. So the idea that one can do something when a nuclear war starts is a fantasy. Therefore if our foreign ministers cannot produce results in their arms control negotiations, they should be fired. (laughter)



Shultz: We worked on these issues this morning; now we need the military involvement.

Gorbachev: So I see you hold your own negotiating results in high regard. But we don't necessarily have the same opinion. (laughter)

Sununu: There are different attitudes in different states about nuclear energy. Some of our states are rich in oil or gas. Others have less and are dependent on energy imports from other states or from abroad -- particularly Canada.

Gorbachev: Canada relies on you. I traveled there. They said that this or that firm is a US subsidiary. I asked, "Is Canada a US subsidiary as a country?" No, no, they would say!

Shultz: Mr. General Secretary, you should know that the United States and Canada have a bilateral trade of about \$120 billion. Canada exports more to us than we get from them.

Vice President: Some bad trade figures are coming out today -- they will have a bad effect for a few days. So you should sell your IBM stock. (laughter)

Gorbachev: We will discuss problems with your businessmen today. We will push them hard on trade. We are your biggest promoters of trade.



Vice President: Let's hear from Cooper Evans who is a specialist on clean grain.

Evans: We are aware of the General Secretary's background in agriculture, his efforts to improve the diet of the Soviet people. I note that you have purchased a million and a half tons of soybeans from the US. I also note your interest in poultry production. Our soybean surplus is now expended. Is the USSR interested in more soybean production in the US? Are you interested in earning more foreign exchange?

Some minor points of interest: We are increasingly aware of differences in the protein and oil content of soybeans -- 5% protein, 3% in oil. We have never made an effort to segregate these qualities to meet the needs of our consumers.

Gorbachev: The problem of grain production is of acute concern to us. When I was in England in 1984 I asked their agricultural minister, "Who produces more grain, England or the USSR?" He said, "We do, as we sell grain to you." I said, "no, we produce 700 kilograms per capital you produce only 450." He asked me where we put the grain. I noted that we waste ours on cattle fodder. We should cooperate on the production of grain and soybeans. One problem that we have had since 1979 is that our growth has slowed and this is a syndrome, a problem. Another



problem is that many in the Soviet Union are afraid to rely on the US as a source of food products.

Vice President: We have learned from the past, agricultural production should not be a political weapon. I know of no one in the present Administration or in any future Democratic or Republican administration who would use a grain embargo against the Soviet Union as a political weapon.

Vice President: Speaking of Democrats, Mayor Cisneros made the mistake of becoming a Democrat early in life. But he is an outstanding Mayor.

Gorbachev: Although he is a Democrat, he is a good man!

Vice President: Yes, and he is upwardly mobile. He perhaps can say a word or two about the state of US cities.

Cisneros: 80% of the American people live in cities. They are the focal point of our ...

Gorbachev: With us it is 66%.



Cisneros: Most developments in education, medicare and so on occur in our cities. Also, our most serious problems are in the cities. The genius of our political system is its decentralized structures. The Federal government and the cities work effectively together.

I would like to focus on the issue of decentralization. Our country is approaching a major transition. Since the New Deal, we were centralized. But new technologies -- telecommunications, television, small and medium businesses.... the character of the American people is to be independent. All these factors lead to ~~the~~ decentralization of our system. This is a major story.

Gorbachev: How about General Motors and other big firms. How will they deal with decentralization?

Cisneros: GM and other big firms are now part of an international economy. But job growth in the US is generated by the small firms.

Gorbachev: It seems that US business finds it more profitable to use cheap labor abroad.



Cisneros: In some sectors this is the case, but the US economy is now bursting with the entrepreneurial spirit. Since 1985 we have created more than 700,000 new businesses. In 1981, there were no new jobs because of the phenomenon you described. But small businesses created 6 million new jobs in the last decade. There is now a strong convergence of interest between the state governors and small businesses, which are creating many new jobs.

Gorbachev: What do you think about the trend to the computerization of the labor force? Is this producing growing unemployment?

Cisneros: Actually, new jobs are being created. The computer creates new jobs. But there are problems .... We need to improve public education and integrate ethnic groups -- Latins -- I'm from the Latino community -- and Asians.

Gorbachev: How many Hispanics are the US?

Cisneros: 16 million ..... A model in our country tends to stress entrepreneurial initiative. Modern technology makes it possible. Government from the top down is not necessary; telecommunications makes decentralization possible.

Gorbachev: This is very interesting. We have learned a good lesson from this. More positive than negative elements. Our machine-building is weak, our R&D has been reduced and we have had to substitute through imports. We are now eradicating this disease. We have invested two and a half more times in this five-year plan to the machine building sector. Our computer technology is advancing. Our scientists are now producing super computers, personal and mini computers, and giant computers for industry.

Velikov: We have five interesting super computer projects. Of course, we have to expand our base in micro-electronics. Our goal is to have 1.1 million personal computers and mass use computers.

Gorbachev: We never produced these in the past.

Velikov: Half of these will go to the schools, as this is the leading edge of change. We will have models for electronic mail. One of our most interesting advances in microelectronics is chips with the capacity to make computations at a rate of x billionths of a second.

Gorbachev: When will we have that computer?



Velikov: By the end of the five- year plan we should have\_\_\_\_, and \_\_\_\_ by the middle of the next five-year plan. (The figures he used were not heard by any of the notetakers.)

Gorbachev: I should add that when we started this program there were many competing firms. The young men were pushing our academics. There is never a lack of brains in Russia. Our sore point is administration, not brains. We should look at how the US is calling on us for cooperation -- how you are trying to pick our brains. Is this a one-way street? If there is no coincidence of interests, there will be no cooperation. I am saying this for a future presidential candidate (laughter).

Vice President: Dr. Mary Good of the American Chemical Society is looking at the future in her area. Dr. Brooks has been involved in exchanges of letters between school kids. Let's hear from Dr. Good, and then Dr. Brooks.

Mary Good: I am glad to talk about our exchange program. I hope that it is possible to have better cooperation in the future in the exchange of basic scientific information. You know that the American Chemical Society publishes "Chemical Abstracts." This is a fundamental data base for all chemical activity. There are major computer banks in the US and in West Germany. We are very interested in working to gain coverage of Russian research.

Gorbachev: In 1979 all our contacts with you in the scientific area were disrupted. Now we welcome ....

Mary Good: I'd have some argument with that interpretation. You don't buy an adequate number of our chemical abstracts for your own staff -- yet they all seem to have copies of them.  
(Laughter)

Gorbachev: That's good! (Laughter)

Mary Good: Everyone must pay their own way.

Gorbachev: I have got your idea. All our sciences are self-financed, as of next year.

Vice President: Lastly, let's turn to Dr. Brooks. He is a high school principal in Des Moines, Iowa.

Brooks: I bring you regards from our students. They are very pleased with the Summit. Your educational challenge is like ours. We have to meet the needs of our students for dealing with the real world, a technical world, a computer age. There are many kinds of computers, so they need to learn this new age. Our students are interested in an exchange program with the Soviet Union. It is a great way to break down myths between countries.



Our exchanges are not just a matter of letters -- although I would like to present a few of our letters to the General Secretary.

Vice President: Dr. Brooks, tell the General Secretary the level at which you teach.

Brooks: My school has 2,000 students; they're in the 15 to 18 year age range. You should read a few of these letters. They come right from the heart.

Gorbachev: I support both your ideas wholeheartedly.

Brooks: Iowa has a sister relationship with one of the Soviet states -- we might expand our exchanges through this relationship -- I guess it is with Stavropol.

Raisa Gorbachev: May I ask. You mentioned that to dispel myths it is necessary to have more contact. My question is what is the origin of these myths? Who is interested in creating, sustaining these myths?

Brooks: Adults are at fault. The media, and teachers.

Raisa Gorbachev: Teachers?

Gorbachev: Dr. Velikov organized a summer meeting with some American children. Their letters were published. It surprised me that 15 and 16 year old children had such a high sense of responsibility about friendship and cooperation. They have grown up thinking that our country is poor and backward, but they found out that we are an interesting country. This is the fault of advertising.

Raisa Gorbachev: I recently met some American teachers. They said this was the second discovery since Columbus. I was surprised at their sincerity -- they were not myth makers.

Gorbachev: They were hard working American intellectuals -- another source of future presidential candidates. (Laughter)

Vice President: One way to dispel these myths is to solve the problems that Secretary Shultz and Minister Shevardnadze are working on.

Gorbachev: They have very unpleasant work to do.

At this point the Vice President noted that time was running out. He thanked the General Secretary for his hospitality in hosting the breakfast. Informal discussion continued as the guests departed from the table.