

# USSR BUSINESS REPORTS

Weekly Edition

## This Week...

### Forex confusion 2

Commercial banks, now freed to set their own ruble buying and selling rates, are having difficulty coming to grips with the opportunity. Especially since few have any dollars to sell.

### The evolving ministries 2

Two more commercially-modelled organizations have emerged from the debris of former Union ministries. They will take lead roles in the ferrous and non-ferrous metals sectors.

### No cash for Yeltsin's reforms 3

The Russian government's financial rescue of the central government, taking on the huge bureaucracy's mammoth wage and maintenance tab for December, is worsening the republic's own cash crisis.

### The next crisis: mineral shortages 3

Analysts believe the former USSR is in for a minerals crisis if retrenchment and plain disorganization in exploration and development are not soon dealt with, to bring replacement level back up.

ROUTE TO:

USSR Gosbank Chairman Victor Gerashchenko said in an interview that a session of republican central bank chairmen failed to establish an inter-republican banking union. This leaves the ex-Soviet budget, and more importantly budget deficit, in question. Gerashchenko warns of chaos as republican banks try to unload their shares of debt onto one another.

Russian Economics and Finance Minister Yegor Gaidar announced that internal ruble convertibility in Russia will start January 1, 1992. This can be done, asserts Gaidar, if the government is successful in bringing the ruble's exchange rate to R18 - R20 per \$1. The Russian reforms minister also voiced hope that the West will aid in the establishment of a currency stabilization fund. Vasily Soldatov of the All-Russian Exchange Bank claims that once the consumer market is satiated the ruble's rate could rise as high as R8 per \$1.

Soviet President Gorbachev has sent telegrams to republican leaders asking for emergency food aid to Moscow, where shortages have reached crisis proportions.

## Slavs heading for the exit

The astonishing news came late Sunday: the Soviet Union was no more. Most Soviets, waking as USSR citizens, went to bed uneasy, having abruptly become citizens of the unclear CIS.

On Sunday afternoon Russian President Boris Yeltsin, Ukrainian President Leonid Kravchuk and Chairman of the Byelorussian Supreme Soviet Stanislav Shushkevich signed three agreements in the small Byelorussian village of Viskuli outside Brest. Blaming the Center for a "shortsighted policy" which has led only to a deep political and economic crisis, the three Slavic leaders declared the formation of a new "Commonwealth of Independent States," dealing a fatal blow to the Soviet Union.

The Ukraine's vote for independence last Monday is likely to have provided the impetus for the creation of a political commonwealth independent from the center. Kravchuk's principled refusal to join any confederation made such an outcome virtually inevitable. From the Russian Federation's point of view, existence without the Ukraine is unthinkable, given their historic political, economic and cultural ties. Moreover, the new arrangement frees Russia from the financial burden of taking over many of the center's functions — and financing the Union's colossal deficit.

The Commonwealth, with its capital in Minsk, is leaving its doors open to new members. Already frightened by Russia's acceleration of reforms, the Muslim Central Asian republics face the hard choice of either joining their Slavic neighbors, which may mean reforms too radical to stomach, or clinging to President Gorbachev's sinking ship.

Kazakhstan President Nursultan Nazarbaev is currently negotiating with Gorbachev and the Slavic leaders in Moscow. According to some calculations, the joint Slavic front may shift the overall reform balance in favor of faster change, which Russia alone was unable to do. In any case, and this is important in a country the majority of whose land mass lies in Asia, Russia has decisively opted for a

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## Exchange rate confusion as ruble freed

The freeing of the ruble has vividly demonstrated the confusion and subjectivity surrounding any evaluation of the stricken Soviet money's actual worth. Currency exchange rates are fluctuating wildly, with little rhyme or reason. And exchange remains very much a one-way street; no one wants to sell dollars.

The ruble was pushed over the precipice on Monday, Dec. 2, when a decree liberated trade in rubles from its former government monopoly. Commercial banks - one of the few Soviet industries enjoying rapid growth - were suddenly free to set whatever rate they saw fit. Previously, the only legal way for individuals to exchange hard currency had been at Vnesheconombank's "tourist rate," which, despite a November increase from R32 to R47 per US dollar, remained stubbornly insensitive to the ruble's plight. Vnesheconombank, long practically bankrupt, finally surrendered to reality - or at least an approximation thereof. On Monday a dollar was suddenly able to purchase 90 rubles at Vneshe's hotel outlets, with neither a passport nor customs declaration required.

Where, though, was this rate pulled from? According to Dmitry Sterlikov of Vnesheconombank's hard-currency department: "Imagine the process of rating a currency, when there is no theoretical or practical starting point for the process...I can't imagine how to do it." Sergei Loktev, Vnesheconombank's head of protocol,

seemed better informed. He offered a concrete foundation, or "market basis" as he put it, for the ratio of R90:\$1, namely, the Gosbank rate, which after last week's trading stood at R110:\$1. From this, Loktev told *USSR Business Reports*, the bank subtracted 10% to reach their selling rate of R99:\$1. Subtract a further one-tenth, and you arrive at the buying rate of R90:\$1.

Loktev acknowledged, however, Vnesheconombank's lack of experience, wryly conceding "the first time is very difficult." Also lacking, he admitted, is hard currency, affirming Vnesheconombank has "not enough." The selling rate, therefore, remains a fiction; no dollars are actually for sale. Even the ruble supply is erratic. Some outlets were forced to cease trading due to ruble shortages.

The rate at other banks, meanwhile, varies substantially. The commercial *Dialog-bank* offered only R77:\$1, a rate the bank says will be held for at least two weeks. "We are not hurrying to increase [it]," said a spokesman. "The situation is difficult, and nothing is determined." More prosaically, problems with training cashiers and moving to new premises were given as explanation for a hopelessly uncompetitive rate. Their selling rate, quoted at R84:\$1, might be somewhat more popular if *Dialog* were actually willing to sell any dollars. It isn't.

*Mosincobank* posted a rate on Tuesday of R75:\$1; by Thursday, it was

already R90:\$1, the current average. The bank admitted the number was determined by "looking at other banks' rates." This comment was echoed by *Mosbusinessbank*, which nevertheless is currently much the most competitive of the bunch. On Dec. 4, a rate of R99:\$1 was posted, with an inexplicably favorable rate for the deutschmark. When *USSR Business Reports* correspondents returned the following day clutching DMs, the US dollar had jumped 18% to \$1:R117, while the Mark had fallen substantially to a more appropriate level (see table). *Mosbusinessbank* is also the only bank

*Mosbusinessbank* rate: currency needed to buy:

	R99 Dec 4	R117 Dec 5
US \$	1	1
Can \$	1.13	1.13
DM	1.15	1.61
FFr	5.49	5.51
Sterling	0.56	0.56

apparently willing to sell dollars - at R130:\$1, and only to foreigners.

*Mosbusinessbank* changes its rates weekly, based on the latest trade at the Gosbank Exchange. No formula exists, however; the bank, said a spokesperson, "makes a guess" based on what they feel the rate should be. Given the critical state of the ruble, guesswork is perhaps the most rational course remaining.

## Business born from ministry ashes

Soviet ministries may be rapidly expiring, but from their ashes are arising private-sector organizations to fill the resulting vacuum. Thus, the death on Dec. 1 of the Soviet metallurgical ministry, and the near-simultaneous creation of two joint-stock companies, *Intertsvetmet*, to trade in non-ferrous metals, and *Interchelmet* (ditto for ferrous metals) are being formed to co-ordinate trade in these commodities among the former members of Comecon, namely, Eastern Europe and Cuba. China is included as well. *Intertsvetmet*, which plans to be in operation by the end of December, will arrange trade between consumers, who may have capital but lack raw materials, and suppliers, on the basis of world market prices.

### Out of gas

Moldavia is experiencing an oil crisis. In the republic's capital of Kishinev half of the municipal buses have gone out of service due to gasoline shortages. In November alone industrial enterprises suffered R300,000 in losses.

### Lithuanian energy

Lithuania is in for a jolt if Russia starts selling its oil and gas at world prices. Costs will most likely run at R3 million per day. Local residents have taken to awaiting

rumored price hikes in long lines at the gas pump.

### Get paid?

A Russian People's Deputy reports the imminent release of a Presidential decree putting state employees' salaries on hold. According to a draft project, 30% of their monthly pay will be frozen until March, 1992.

### Army property

The Lithuanian parlia-

ment's deputy chairman declares as Lithuanian property all Soviet Army real estate on Lithuanian soil. Lithuania has passed a law in effect nationalizing army property.

### Teachers' strike

Siberian Altai high school teachers went on strike last Monday. Apart from pay increases, they called for a stop to the "illegal privatization of state educational institutions."

## TRENDS

## No cash for Yeltsin's economic reformers

Last week Soviet financial analysts were busily discussing cash problems related to implementation of the Boris Yeltsin cabinet's reform program.

The discussion began Nov. 30 with the Russian Central Bank's announcement that it will put a freeze on cash withdrawals for enterprises.

As the bank's spokesman Mikhail Belyaev stated, cash will be allowed only for payments of wages, stipends, pensions and allowances. Bonuses, premiums and the "thirteenth salary" (an extremely popular yearly bonus paid out in December), in addition to other operational expenditures, are to be conducted via bank transfer. This soft form of payment was officially justified due to cash shortages. According to Belyaev, the idea was originally developed by Russian Finance and Economy Minister Yegor Gaidar's team of reform economists.

On Monday Dec. 2, Yegor Gaidar flatly denied responsibility for the unpopular measure. At the same time, Gaidar confirmed that the cash shortage is becoming a major obstacle to his wide-ranging economic reforms program. Gaidar's statement makes clear, however, that even though his group did not design the RCB's freeze, it will definitely elaborate some other form of monetary policy to slow down the out-of-control circulation of cash.

The unavoidable necessity of imposing limitations on money circulation became especially obvious once Boris Yeltsin generously promised to pay all December's wages and salaries of union employees, including military personnel and the remaining bureaucrats.

Russian deputy finance minister Stanislav Korolyov told *USSR Business Reports* that the promise will cost Russia an additional R14,500 million in cash and thereby aggravate existing shortages. This crisis has left republican financial institutions almost without cash. R160,000 million in cash is currently circulating in the Russian Federation. Only R26,000-R28,000 million returns to RCB's tellers each month, while monthly cash payouts, even before December, exceeded R37,500 million.

Each month the deficit was covered by new banknotes, but the stock of new banknotes is now long exhausted. Gosznak (the money-printing monopoly) will not be able to afford Union employees' salaries and advance payments prior to the price liberalization scheduled for mid-December.

Indeed, Gosznak, working to the limits of its capacity, can print only 316-330 million banknotes per month, which even in R100 banknotes will be no more than R33,000 million. R200 banknotes, introduced mid-October, are not the remedy,

since most of the newly printed money should still be in notes of smaller denomination.

Gosznak sources indicate R500 and R1,000 bills will be issued full-scale only by the end of December, but such desperate measures may not prove sufficient by then.

Thus, restrictions on cash circulation seem to be inevitable, at least for December. Among the measures considered by the Russian government, the two most likely to be imposed are aimed at one third of wages.

One version envisages postponing payment of this one-third until March, which will supply the Russian budget an interest-free three-months (December, January, February) loan of R10,000-R15,000 million. The other solution relies on transferring that portion of wages and salaries in soft money, when money will be transferred to Sberbank's personal accounts.

Which draft will be implemented is still unclear. Nevertheless, rumours spreading in Moscow already have already inspired long lines at Sberbank's wickets. Sberbank tellers in the Kuibyshevsky district, polled by *USSR Business Reports*, say that the pace of cash withdrawals can hardly be explained by the forthcoming New Year and Orthodox Christmas holidays.

## Mineral reserves' uncertain future

Soviet industry is in for hard times. This outcome seems inevitable in the face of present trends, with the rate of extraction of mineral raw materials continuing to outpace the replenishment of reserves. For the 1991-2005 period, current forecasts indicate substantial depletion of reserves: 25.5% of coal, 19% of iron ore, 12.5% of manganese ores and 24% of chromium ores. Specialists estimate that non-ferrous and scarce metals, as well as alloys, will be mined in future at an even faster rate. This will, in a 15-year timespan, consume 37% of copper and nickel, 53% of zinc, and 83% of lead reserves. Antimony, tin and titanium reserves will be almost entirely exhausted. Soviet analysts estimate that, unless known re-

serves are increased, output of such minerals as nickel, bauxite, copper, zinc, lead, and tungsten will have fallen below current norms by 2005.

So what are the prospects for increasing mineral reserves? Recent analyses suggest that the ratio of undeveloped deposits to current reserves for the majority of minerals varies between 1.1:1 and 2.9:1. Such volumes should be adequate to replenish tired reserves. The only exceptions are bauxite and manganese ores, with undeveloped deposits 33%-36% below current reserves. In order to compensate for ongoing depletion, known mineral reserves in 1991-2005 should be increased to return levels to those of the previous 15-year period, by the following amounts: 10%-30% for iron

ore, vanadium, bauxite, nephelium, coal and potassium salts; 40%-60% for copper, lead, zinc, nickel, cobalt, mercury, antimony, titanium and potassium ore; and 70%-90% for gold, tin, tungsten, sulphur and fluorite.

At present, however, geological exploration and surveying are inadequate to boost reserves to desirable levels. As the Soviet mining and geological sectors cease to exist, thus have their responsibilities and activities devolved to the republics. This has led to a slump in exploration and mining throughout the former Soviet Union. Russia, for example, has yet to establish its own geology ministry. For now, geological exploration is administered only by the ministry of natural resources.

**DataFile**

<b>Commercial prices (In rubles)</b>		<b>Economic Indicators, Jan.-Oct. 1991</b>	
Basket (Dec. 1-7, Moscow)	1.205	(Per cent change on year, USSR)	
% change on week	+8.2	GNP	-13.5
month	+11.0	Industrial production	-6.8
<b>Ruble rate (to US\$)</b>		Production of consumer goods	-4.0
Gosbank exchange rate (Dec. 4)	130.5	Incl. food products	-8.3
Quantity of \$ purchased	5,760,000	non-food products	-2.0
Exchange rate range buy	77-117	alcohol	+4.0
sell	84-130	Population incomes	+76
<b>Food (In rubles)</b>		expenditures	+52
(Central market, Moscow, Nov. 23-29)		Retail turnover	
Basket of ten products	300	in constant prices	-18.6
% change on week	+1.25	actual prices	+27.6
month	+11.5	Overall retail price index	+76.5

**Registered unemployed, 1991**

Republic	July	Aug.	Sept.	Oct.
RSFSR	18,100	25,400	48,500	51,400
The Ukraine	1,400	2,500	3,700	4,900
Byelorussia	300	500	1,000	1,300
Kazakhstan	900	1,200	2,000	2,900
Kyrgyzstan	100	200	100	100

**Economic Indicators, RSFSR (thousand million rubles)**

	Jan.-Oct. 1991	% change on 1990	
		Jan.-Oct.	Oct.
Volume of industrial production	845	-3.2	-2.5
Production of consumer goods	382	99	98
incl. food products	382	-1	-2
alcoholic drinks	32.6	+4	+2
non-food products	198	+3	+2
State construction of housing (million m <sup>2</sup> )	21.4	-18	-27
kindergarten (places)	65,800	-31	-52
public schools (places)	253,800	-18	-19
Agricultural purchases, m.tons			
meat and poultry	7.7	-14	-21
milk	31.2	-13	-9
eggs (thous. millions)	25.6	-7	-6
potatoes	4.2	-5	N/A
vegetables	3.6	-27	N/A
Transported shipments, m.tons	4,900	-8	-8
Retail turnover	328.9	-9	-2
Paid services	34.9	-20	-20

**Change in consumer goods prices, RSFSR**

	Oct. 1991, % change on	
	Oct. 1990	Sept. 1991
State and cooperative	+112	+3.4
Farm markets	+138.4	+13.5
Overall price index	+13.9	+3.9

**Foreign trade, USSR, Jan.-Oct. 1991 (million hard rubles)**

	Level	change on year
	Overall foreign trade	124,100
Of which, exports	65,200	-30.7
imports	58,900	-42.9
Share of	exports	imports
RSFSR	80.38%	81.13%
Ukraine	10.51%	15.81%
Byelorussia	3.68%	4.71%

**Agriculture**

State grain purchases, Nov. 18, 1990 and 1991, overall and by republic. 3 tables. 1 pp. *USSR/358*

Market for food products in the RSFSR, Jan.-Oct. 1991. Analysis. 2 pp. *RSFSR/236*

Purchases of main livestock products, Jan.-Oct. 1991. Analysis. 2 pp. *RSFSR/238*

Deliveries of bread products to the population, USSR, 1985, 1988, 1989, 1990. Analysis and 5 tables. 9 pp. *USSR/361*

Purchases and deliveries of potatoes fruit and vegetables, RSFSR, end of October 1991. Analysis. 3 pp. *RSFSR/239*

Relationship between the growth of wages and labour productivity in agriculture by republic, 1989 and 1990. Analysis and table. 2 pp. *USSR/362*

**Housing**

Construction of social projects in the Far North, 1989, 1990, Jan.-Sept. 1990 and 1991. Analysis and table. 2 pp. *RSFSR/235*

Construction of public (non-industrial) works, RSFSR, Jan.-Oct. 1991. Analysis and table. 1 pp. *RSFSR/231*

**Industry**

Economy of the USSR. Finances and money circulation. Indices of prices and tariffs. Consumers market of goods and services. Indus-

**Money**

Prices for agricultural products at city markets, by product and by city Oct. 1990 and 1991. 2 tables. 2 pp. *USSR/359*

Changes in retail prices for consumer goods RSFSR Oct. 1991. Analysis and table. 2 pp. *RSFSR/232*

**Social**

Crime in the RSFSR, Jan.-Sept. 1991. Description. 2 pp. *RSFSR/217*

Changes in the number and composition of families in the RSFSR, 1979 and 1989. Various indicators. 12 tables. 15 pp. *RSFSR/22*

Coefficients of population reproduction USSR, 1969-70, 1978-79, 1982-83, 1984-85, 1986-87, 1988, 1990. Table. 1 pp. *USSR/354*

Number of invalids receiving social security, USSR, 1990, 1991. Table. 1 pp. *USSR/363*

**Trade**

Stocks of goods, RSFSR, Nov. 1, 1991. Analysis and table. 1 pp. *RSFSR/230*

**DataIndex**

*USSR Business Reports publishes this regular index to Soviet and republican statistical bulletins. To order full-text translations, please note the italicized order number cited at the end of each abstract and contact either our Moscow or Toronto offices.*

try. Agro-industrial complex. Capital investment. Transport and communications. Foreign economic relations. Jan.-Oct. 1991. Analysis and 2 tables. 19 pp. *USSR/360*

**Business****Bank which hasn't blown up**

Several dozen Byelorussian enterprises re-establish Miko-bank, a major republican commercial bank, and pay off its debts. The enterprises increase the equity of the bank which was about to be declared insolvent by R120 million.

*Business World, page 1, 12/05/91*

**Ecology will be saved by business**

Andrei Chernukhin, president of the consortium Ekoprom, comments on the world ecological lottery, organized by the consortium to-

ment all kinds of property except military installations, basic infrastructure and the energy supply system, will be divided among sovereign states.

*Business World, page 1, 11/29/91*

**Energy****Oil too important to entrust to the state**

Production of oil in Siberia will reach barely 310 million tons this year, against a planned-for 342 million. The plan for 1992 has been reduced to 262.9 million tons in light of the current decline of output.

*Russian Gazette, page 1, 12/03/91*

**Finance****Ukrainian secret order being implemented in Spain**

A new Ukrainian currency totalling 1 000 million "karbovanetsi" in ten types of banknotes, is being printed by a Spanish firm. The banknotes will be ready within two months.

*Moscow Pravda, page 1, 12/06/91*

**Currency may become cheaper**

Russian Deputy Prime Minister Yegor Gaidar states that personal income taxes will be 12% for wages less than R3 000/month. Minimum wages won't be subject to taxation.

*Trud, page 1, 12/06/91*

**Securities market in November**

A monthly survey of the securities trade at major Soviet stock exchanges displays, under conditions of rising inflation, a continuous heightened demand for stable securities. Almost all shares are sold well above their nominal value. Shares in foreign companies are sold with an average coefficient of R1.35 for US \$1 (chart included).

*Business World, page 5, 12/05/91*

**Where to go with cheques?**

Sailors of the Northern fishing fleet find themselves stuck with 12 million rubles in Vnesheconombank hard-ruble sailors' cheques, which previously could be used in special Torgmotrans stores. Torgmotrans closed on Aug. 1, and Vnesh refuses to convert the cheques back to hard currency.

*Pravda, page 1, 12/04/91*

**Government****Apparatchik's trough**

Foreign loans, now urgently sought after by union and republican leaders, were often misused. Ivan Slayev eight months ago assigned US \$1,000 to the "world ecological lottery."

*Russian Gazette, page 1, 12/06/91*

**RSFSR government emergency measures**

The Russian cabinet debates major issues of the accelerating economic crisis, including food and energy problems. 1,350 million hard rubles will be allocated to purchase imported medicines in the nearest future to cope with the current shortage of pharmaceuticals.

*Izvestia, page 1, 12/05/91*

**Don't put highwaymen on the road to the market**

A new taxation system, to be imposed alongside price liberalization, will add a VAT on top of income and property taxes. Taxes will thus rise 20%.

*Russian Gazette, page 2, 12/05/91*

**Yewitsin's advisor on pace of reforms**

Boris Yeltsin's advisor A. Golovkov states a package of 20 decrees and laws, including the decree on price liberalization, is currently being

debated in parliamentary committees. The laws could be signed any day now.

*Izvestia, page 2, 12/04/91*

**Infrastructure****Modest charm of bourgeoisie**

The State Committee on Government Communications permits businesses special telephone and fax communications. Some companies regard the government phone lines, not as a means of quick and protected communications, but as an opportunity to reach senior government officials.

*Megapolis-Express, No. 49, page 14, 12/05/91*

**Passenger is warned...**

Across-the-board price increases will be especially painful for Soviet transportation enterprises, which are still alive thanks only to low prices and state distribution of fuel and energy.

*Soviet Russia, page 1, 12/02/91*

**International****USSR's debt has inheritors, but still unclear how many**

Former Soviet republics reach an agreement on the division of the USSR's foreign indebtedness. Each republic now has its own quota: the Russian Federation, 61.34%, the Ukraine, 16.37%, Byelorussia, 4.13%, Kazakhstan, 3.86% etc.

*Izvestia, page 1, 12/05/91*

**Investment****Intellect and ringing coins**

Vice-President of the USSR's Innovative Enterprises Union Yuri Pimoshenko comments on the union's functions and long-term goals. Pimoshenko states that the union relies on tight co-operation with the emerging business sector, particularly exchanges.

*Business World, page 1, 12/03/91*

**Labor****We need reforms. But considered**

Leaders of the independent Russian trade union federation meet officials of the Russian Business Circles Congress to discuss the economic reform program. Labor leaders and businessmen reach agreement on such major aspects of the program as price liberalization and privatization.

*Trud, page 1, 12/06/91*

**Diploma on the shelf, "legs in arms"**

Moscow leads the unemployment leagues, with 20% of all Russian unemployed registered in the Soviet capital. Director of the Moscow Labor Exchange Ilya Zaslavsky says 43,406 unemployed were registered in Moscow as of Nov. 1, 1991.

*Moscow Komsomolez, page 1, 12/04/91*

**Law****Decree on the reorganization of government bodies**

President Boris Yeltsin's decree on reorganization of the RSFSR government's central organs imposes a new structure on the Russian government, with former union ministries and committees being taken over by the corresponding Russian body.

*Russian Gazette, page 2, 12/05/91*

**On highway funds in the Russian Federation**

A recently approved Russian law creates special highway funds. These will accumulate incomes from taxes on road users, fuel, automo-

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gather with major Soviet businesses. Chernukhin says that more than US \$2,500 million of lottery tickets were sold abroad.

*Trud, page 2, 12/04/91*

**Crime****People won't be jailed for commercial activities**

The Russian Supreme Soviet abolishes several articles in the Russian Federation's Criminal Code. The offending articles stipulated harsh punishment or even the death penalty for speculation and other types of commercial activity.

*Izvestia, page 1, 12/05/91*

**Economy****Aleko gets to start**

Valentin Kolomoynikov, general director of the Moskvich automobile factory, comments on the organizational plan of the industrial financial group Aleko, which will link the factory with most of its suppliers, retailers and banks. Kolomoynikov states that non-delivery of supplies caused a drop in production from an expected 500 to only 150 cars per day.

*Pravda, page 2, 12/06/91*

**Will there be privatization?**

Moscomimushastro, a semi-state commercial enterprise organizing the privatization of retail and food-catering outlets in the Soviet capital, announces the first enterprises to be privatized and the first premises to be sold via auctions (four lists included).

*Business World, page 3, 12/05/91*

**Moscow government considers situation "fifth food catastrophe"**

The dramatic decline of imports is badly hurting Moscow, which depends on consignments from abroad for 70% of its food supplies. The Moscow government demands an urgent increase in centralized import financing from the Union and Russian governments.

*Izvestia, page 1, 12/04/91*

**Presidents assured: there will be money**

Presidents Boris Yeltsin and Mikhail Gorbachev meet in the Kremlin to discuss the USSR's financial aspects. After the meeting, Boris Yeltsin confirms that the Russian government will pay for all the union's internal obligations in 1991.

*Pravda, page 1, 12/02/91*

**Dispute over union property is over**

A draft of the inter-republican agreement on division of the former USSR's property is submitted to the republics. According to the agree-

ble trade, etc. to improve highway transportation.

*Russian Gazette, page 2, 12/03/91*

### Military

#### Strong armor

Most of the Soviet military industrial complex's 1,100 enterprises are currently under the double supervision of the Russian Federation's industry ministry and the Russian Committee on Military Conversion. The committee's military industrialists demand the plants be controlled solely by them.

*Komsomol Pravda, page 1, 12/01/91*

#### Not all that glitters is gold

Gold, silver and other precious and rare metals are often not recycled when military equipment is scrapped. The USSR finance ministry's senior official Vitaly Kovalyov, who conducted a special inspection of military scrapping facilities, fears almost 90% of precious metals are lost.

*Red Star, page 4, 12/05/91*

### Mining

#### Leak of oil in especially large volumes

Mismanagement and corruption in government agencies licensing oil and gas extraction and trade has led to 150 million tons of oil being exported by suspicious commercial organizations. Of 78 oil deposits leased to non-state companies on a concessional basis, not one is being developed.

*Komsomol Pravda, page 2, 12/05/91*

#### Germans to search for oil near Volga

The Soviet-German JV Volgodeminol receives 23,000 km<sup>2</sup> for prospecting and exploration in the Volgograd region. The JV's output is expected to reach 1.2 million tons of oil by the year of 1995.

*Izvestia, page 2, 12/03/91*

### Politics

#### Minsk prepares to meet Slavic leaders

The presidents of Russia, Byelorussia and the Ukraine are scheduled to meet over the weekend in Minsk. The agenda, possible formulation of a joint position by Slavic states on the Union of Sovereign States.

*Izvestia, page 1, 12/05/91*

#### Union parliament approves USSR draft treaty

The USSR Supreme Soviet approves a draft of the Union Treaty. This latest version contains several recommendations. The recommended amendments include election of the Union of Sovereign States president by the Union Parliament or State Council.

*Izvestia, page 2, 12/04/91*

### Poils

#### Free apartments: for and against

Muscovites are polled about the mayor's policy of free apartment privatization, with the subsequent imposition of a progressive real estate tax. Over 51% say they oppose free privatization. Only 29.5% support the official program.

*Moscow Pravda, page 1, 12/05/91*

### Retail Trade

#### Free prices - how shall we live with them?

Prices are being gradually liberalized in Lithuania, with all limits on wage increases abolished. Managers of state department stores comment on the new approach to pricing, and the criteria used for setting prices.

*Megapolis-Express, No. 49, page 9, 12/05/91*

#### Counters will be filled with goods in three weeks

Larisa Piasheva, architect of Moscow's retail trade privatization, comments on the mayor's privatization program. Piasheva believes the program should be implemented only in conjunction with price liberalization.

*Moscow Pravda, page 1, 12/05/91*

#### Darling, give me R10 for lunch

V. Malyshkov, chairman of Moscow's food-catering organization Mosobshchit, states an average lunch will cost R10 once 2,400 Moscow food-catering outlets are privatized.

*Moscow Pravda, page 1, 11/30/91*

### Science

#### If you have dollars, study...

Moscow Mayor Gavriil Popov announces the establishment of the Moscow International University, offering programs in management, finance and business administration. Tuition will be somewhere between US \$10,000-\$15,000 for one academic year.

*Trud, page 1, 12/04/91*

### Soviet Life

#### ...And other physical persons

Senior officials in the Moscow government often also work for commercial organizations dealing in real estate. Moscow Deputy Prime Minister Yuri Luzhkov is president of Orgkomitet, which leases and trades real estate. Yuri Gusev, deputy chairman of the Oktyabrsky Ispolkom, manages Ukoso controlling privatization of residences in the Moscow central district, etc.

*Komsomol Pravda, page 1, 12/05/91*

#### Abolished again...

The Moscow city council blocks the two latest decrees from the mayor's office - on privatization of the retail and food-catering sector, and on the free privatization of the housing stock.

*Moscow Pravda, page 1, 12/05/91*

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## Slavic union

*continued from page one*

western orientation to its political and economic future.

Russia, Byelorussia and the Ukraine comprise nearly three-fourths of the Soviet Union's population and possess most of its economic strength. The Commonwealth Declaration pledges the three signatories to carry out coordinated radical economic reforms. The republics also pledge "to abstain from any actions economically harmful to each other." What bearing this will have on Russia's price liberalization, scheduled for December 16, remains to be seen. The three parties agreed to preserve the ruble as the basis for trade, though this does not preclude the introduction of national currencies. Of importance is the intention to sign an interbank agreement as a crucial step to financial stabilization.

Where does all this latest news leave us? Even with the signing of the Commonwealth agreement, the future of the former Soviet Union remains cloudy. What seems clear to Muscovites, however, is that the three Slavic republics together combine the necessary strength, and apparent determination, to crawl from the present quagmire onto the firmer ground of real economic reform.

**Geoffrey Carr-Harris**

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