

Report from Bonn by Rainer Apel

Replacing the five-year-plan policy

A new approach to Western investments in the U.S.S.R. is being discussed in Germany.

One of the few results of the July 9-11 world economic summit in Houston is that the Germans recognized in heated debates with the Anglo-Americans and the Japanese that if anything will be done on shaping up the economy of the Soviet Union in the near future, it has to be initiated by united Germany herself. The others, with the exception of the French and the Italians who are largely supporting the German view, are reluctant.

The post-summit evaluation in Bonn is, West German Economics Minister Helmut Haussmann said, that the German "approach to the U.S.S.R. and Eastern Europe is entirely different from that which all the other Western nations have."

The Soviet Union, or what will develop out of the disintegrating Communist Party empire of the U.S.S.R. in the near future, needs a full overhaul. It is not enough to ship surplus grain and the like to the Soviet Union (the U.S. approach), or to provide credit lines (the previous German approach) without being sure where the money will end up.

"The main thing is to bypass the inert central state bureaucracy in Moscow," a specialist on the Soviet food sector based at West Berlin's Free University told *EIR* on July 11. He and other experts were involved in working Chancellor Helmut Kohl's agenda for his talks with Soviet President Gorbachov in Moscow July 15-16.

"Whatever area you take," the Berlin expert said, "development of the economy will have to take place in

the republics, in the regions, and that is why cooperation should be organized through the regions, not through the state bureaucracy which has sabotaged most of the Western aid in the past." It is not yet possible to bypass the centralized bureaucracy, because it still has influence and power, but the independence drive of the various republics of the U.S.S.R. is opening up good potentials for region-centered economic cooperation with the West.

With a national bank structure emerging in the different Soviet republics, it will be possible in the near future to give Western credits to the regions where projects are planned. This is the only way to make sure that the money will produce the result, or at least come close. Future credits shall be bound to concrete projects in clearly defined regions in the Soviet Union, experts told Chancellor Kohl, and priority shall go to projects in the energy and transport sectors, in food production, and in the conversion of military to civilian production.

Rather than spreading Western credits all over the Soviet Union, select projects, preferably located in the westernmost parts of the Soviet Union, will be favored. The key, an expert on the Soviet food sector based at Giessen University explained on July 12, is to build "integrated complexes that cover the entire chain of food production, from the harvest to the store where the consumer can buy his food products."

"You need a functioning system to bring in the harvest, then you have to make sure that the losses are kept

low," the expert said. "You have to process the food in factories close to the harvesting areas, to avoid the problem of long-distance transportation that is still dominant. The farm workers that are bringing in the harvest in the southern parts of the Soviet Union these weeks know quite well that a large share, some 20 or 30%, of the harvest will rot or get lost otherwise on its long way to the next food producer which is usually a long distance away from the harvesting areas. That is one of the absurdities of the Soviet planned economy."

"You have to build new factories for food processing, new storage halls and the like close to the harvesting areas. But a new factory doesn't make sense without a functioning transport infrastructure, a secured supply of energy, water, waste and waste water storage, and certain environmental measures. With Western assistance, kind of turnkey complexes will have to be built in the Soviet Union that are run by the regional administrations that one may expect to care about their own population. The central bureaucracy in Moscow which is responsible for the five-year plans cannot be expected to care for the population anywhere."

For now, Western investments to improve the sections of the transport sector directly relevant to the food supply should take priority, experts told the West German chancellor.

Still in Houston after the end of the summit, Economics Minister Haussmann addressed the next priorities for projects on the agenda of German-Soviet talks. Interviewed on the West German Deutschlandfunk radio station on July 12, he endorsed credits for the exploration and production of new Soviet crude oil and natural gas resources, for the extension of the Soviet pipeline grid into Europe, and the "transport sector that is essential for a functioning East-West trade."