

Report from Bonn by Rainer Apel

Soviet instability jeopardizes aid

Economic aid projects are planned, but success requires reviving the legacy of Russian reformers Witte and Stolypin.

It is a war of nerves, and it will remain thus for the rest of the 1990s," a senior Soviet expert working for the government in Bonn told *EIR* Aug. 2, referring to West German investments in the Soviet Union. "We will be faced with big question marks, as far as political stability is concerned."

All Western investments in the U.S.S.R. in the 1990s run a high risk, he said, because "the old system hasn't passed away yet, the new one is not yet established, and what makes the transition period worse is the fact that nobody, neither in the West nor in the U.S.S.R., not in Bonn nor in Brussels, seems to have a clear perspective of where to go. There are some ideas about some projects, but no vision of where this is going to lead to, what kind of society shall emerge after the demise of the Soviet system."

The expert said that the concept of "insular economic project zones" in select Soviet regions, as proposed by Bonn Economics Minister Helmut Haussmann Aug. 1, is feasible, but only if it gains an edge over the stagnant Soviet system in the relatively short run.

"It has always been a discouraging experience of Russian history, that so many efforts were made to create zones of accelerated development with Western aid, but after 10 years at the latest, it was all over, again the bureaucracy had put on the brakes and won the battle," he said.

Despite the past, one should try to revive the better phases of economic reforms in Russian history, he advised. It would not remove the grave

problems instantly, but would at least give a long-term political orientation.

This view was outlined in the July 25 *Europa-Archiv*, the bi-weekly journal of the Institute of the German Society of Foreign Policy in Bonn. It recommended that the most positive traditions of cooperation between Russia and Western nations be revived, referencing the period of the two central pre-1914 Russian reformers, Finance Minister (1892-1905) and then Prime Minister (1905-1906) Count Sergei Witte and his successor, Prime Minister Piotr Stolypin (1905-1911).

Through a mercantilist investment policy, Witte built up Czarist Russia's pre-1914 industry and railway grid. He also launched steps toward modernization of the ailing Russian farm sector, but did not succeed in dismantling the collective *mir* village commune, that absorbed the surplus produced by the emerging sector of private farming.

Building on the Witte period, Stolypin launched a system of regional savings banks that issued cheap farm loans. Stolypin's land reform of 1907 doubled farm yield, created a layer of independent farmers, and made Russia the world's number-one food exporter. He was paid tribute by *Europa-Archiv* and the July 25 European edition of the *Wall Street Journal*, indicating that the possibility of spectacular progress in the Soviet farm sector is being discussed broadly.

Reluctant Soviet state officials finally gave the go-ahead shortly after the Stavropol meetings of Chancellor

Kohl and President Gorbachov in mid-July, for a West German proposal dating from early 1989. The project, okayed in talks between Gorbachov adviser Leonid Abalkin and West German Economics Minister Haussmann in Bonn July 24, involves a study on bottlenecks of the food production chain and options for growing better qualities of rye, barley, and other crops, especially vegetables, in the region of Ryazan about 200 kilometers south of Moscow.

The project, co-funded by the Bonn Economics Ministry, recommends that a fully integrated production chain for food from the field to the consumer be installed, which avoids the average loss of harvested grains of 25-40% within a few weeks after the harvest. This involves: efficient planting; precision use of fertilizers, irrigation, and harvesting techniques; indoor storage; loss-free transport of grain and other crops over longer distances; and increased efficiency of food processing.

Transport is crucial. A useful pilot project that is currently under consideration would tackle the critical transport bottleneck at Brest on the Polish-Soviet border, the key transit station for trains running between Europe and the western regions of the Soviet Union.

The project, worked out at the German Railway Consulting Corp. in Frankfurt, aims at doubling or tripling the average throughput of commodities with priority placed on short-term emergency deliveries of food products and livestock from the G.D.R. to the U.S.S.R.

Measures proposed include reducing the time required for changing the gauge-width of train wheels at the border, and faster loading-unloading operations through increased mechanization and fully computerized administration.