

citizen today is worse off than during the period 1960-65.

“Around the middle of the 1980s, our country, on the basis of a number of social statistics, has recorded a drop in comparison to the years 1960-65. . . .

“Today, in the last quarter of the 20th century, 17% of all Soviet families do not have their own apartment or house, half of all apartments and houses in the Soviet Union, above all in the rural areas, have no toilet, no sewage, no running water, let alone hot water, telephone or central heating. . . .

“Compared to other developed countries, we have very low per capita meat consumption—62 kg per year, in other countries it’s 75-80 kg and even 85 kg. . . . In the consumption of milk and milk products, the Soviet Union is far behind most other countries; and the variety of these products is very limited and the quality rather poor.

“The Soviet Union is far behind other countries in the consumption of vegetables, especially at certain times of the year. Our population consumes only one-third of the amount of fruit recommended by the medical profession, and this has especially negative effects on the health of the children.”

Agriculture was described as being in a “worse situation than during the 1960s,” and “agricultural production per capita has not increased since 1978.”

The need to end Western dependence

Aganbegyan has been continually played up in the Western media as a “liberal” economist, ironically by the Western financiers who have been promoting illusory schemes of a coming East-West “trade boom.” His speech threw cold water on such schemes. Aganbegyan called for nothing less than eliminating grain, meat, and food imports from the West by the 1990s. The following passages reveal the actual form of dramatic upcoming Soviet policy changes, which will lessen dependence on the West:

“A further problem exists, in that one quarter of our cattle, which are slaughtered for meat, are fed with imported feed grains; in the last five year plan (1981-85) we purchased several million tons of feed grain—that’s more grain than the Ukraine and Kazakhstan combined supply to the State.

“We bought with hard currency a million tons of meat—that’s more than is consumed by the entire Moscow region or all of Kazakhstan. In effect, we have been exchanging our crude oil for grain and meat. But the price of crude oil in recent years has fallen by two-thirds, and now the State *no longer has the possibility* to purchase the same quantities of grain and meat as in earlier times. . . . Our task is, as soon and as fast as possible, in fact by the beginning of the 1990s, to free ourselves from mass food imports.”

The situation is too critical to wait for the June 28 All-Union Party Conference. The May 5 weekly Politburo meeting spent most of its time working out measures to deal with “food and consumer goods supply problems.” Failure to find a solution soon will lead to a search for a scapegoat. Such a process in the past, under Khrushchov, led to the toppling of a general secretary.

EC and Comecon sign accord, but what now?

by William Engdahl

The European Commission in Brussels, the administrative secretariat of the European Community (EC), on May 24, announced an imminent accord to give formal recognition to the Comecon, the Moscow-dominated association of East bloc economies. The communiqué is expected to win formal approval at a June 24 joint meeting.

On the surface, this seems like yet another big step in bringing Western Europe closer into the iron net of Soviet hegemony. The new accord would do primarily two things, say senior EC Brussels officials involved in the more than two years of EC-Comecon talks: “First, it establishes official relations for the first time between the Comecon and the EC; secondly, it opens the door for future relations.”

The president of the European Parliament, Henry Lord Plumb, called the tentative accord “an historic moment that has been long awaited and which will change the map of Europe. . . . We cannot expect immediate results from this agreement, but in the long term it will be of major importance for the development of both political and trade relations in Europe.”

Behind the facade

The question is why this accord has been reached just now. Is it a signal of a new Comecon opening of its markets to the West, as many Western bankers hope? Or is it a signal of Western despair over the process of U.S. decoupling from Atlantic Europe? The reality appears to be some complex interplay of both. According to senior East European specialists at the Vienna Institute for Comparative Economic Studies, “This agreement in no way obliges the West to any actions. The EC insists on making bilateral trade with individual Eastern countries, particularly Hungary and Czechoslovakia. The accord should help that.”

“The accord was reached quickly last week when the Comecon finally agreed to compromise on recognizing that West Berlin was part of the EC,” a Brussels insider in East European affairs revealed. “East Europe and Moscow are afraid that if they did not move to establish official relations with the EC, they would be left out of the EC Internal Market of 1992.”

But there was a second party to the engagement. “West Germany sits as president of the EC until June. Bonn wants to push through these pending East-West agreements now,

while it is holding the presidency, so that Bonn remains the focus for future EC-Comecon developments.”

According to these reports, this desire of Bonn, especially Foreign Minister Hans-Dietrich Genscher, was the real reason Dresdner Bank and four other West German banks rushed approval for a DM500 million Soviet sovereign bond issue for the Moscow Bank for Foreign Trade (Vneshtorg). “Moscow saw that Bonn was eager to get the agreement before June, so they pressured them to add the new financing as a ‘sweetener.’ Just after that, they dropped their demands over Berlin, insuring the accord.”

In Brussels, there is also speculation that the unusual DM3.5 billion letter of credit given by Deutsche Bank in early May for “consumer” needs of the Soviet Union, was cheap credit to finance an emergency Soviet import of meat, grain, and other foodstuffs over the coming weeks, agreed to for the same reasons as the new bond financing. According to reports in Bonn and Brussels, these imports would be used by Gorbachov in his internal factional battles to improve food shortages for consumers, and ease popular discontent against his *perestroika* prior to the June All-Union Party Plenum.

The EC-Comecon talks were initiated in the late 1970s by Moscow, when Moscow and the Comecon demanded comprehensive mutual trade accords between the two regional organizations. Those talks broke off after the Russians invaded Afghanistan in 1979. “The new talks are very different,” an EC official noted. “The Comecon initiated a new draft which excludes trade policy; they have significantly reduced their ambitions.”

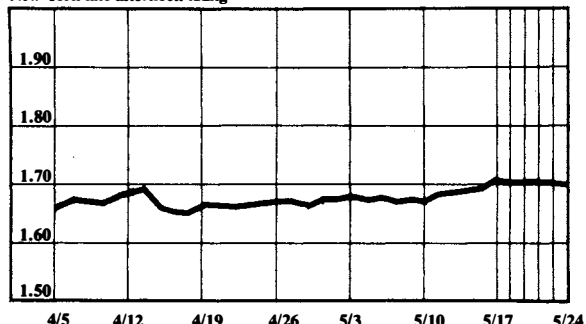
Some informed Europeans see an ominous potential in the closer ties, even if only symbolic and diplomatic, between East and West Europe. Sir Jimmy Goldsmith, the Paris-based financier and publisher of *L'Express* weekly, recently warned of the real issue underlying increased dialogue between East and West Europe. Alarmed at the medium-term implications of a U.S. troop pullout from West Germany, Goldsmith foresees that Moscow will profit from the resulting vacuum: “Their strength is military. If they are able to form a New Europe, decoupled from the United States, then they have a chance of using their military superiority to gain economic strength before their own society decomposes. They would contribute their military power to the New Europe. Western Europe would contribute its industrial and financial infrastructure.”

Under these conditions, says Goldsmith, “the Soviet bloc would be perceived as a privileged marketplace for West Europe’s goods, which would relieve its economic pain.” Goldsmith criticized calls from French ex-President Valery Giscard d’Estaing and Italian financier Carlo De Benedetti for a Marshall Plan for the East, recently editorially endorsed by the influential Paris daily *Le Monde*. Western Europeans, worries Goldsmith, “can read the Iklé report on *Discriminate Deterrence* and receive confirmation that a commitment to the defense of Western Europe is no longer a top U.S. priority.”

Currency Rates

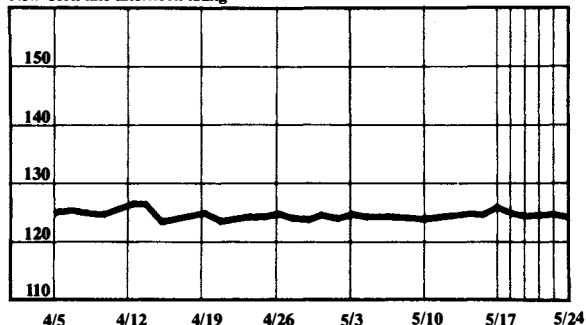
The dollar in deutschemarks

New York late afternoon fixing



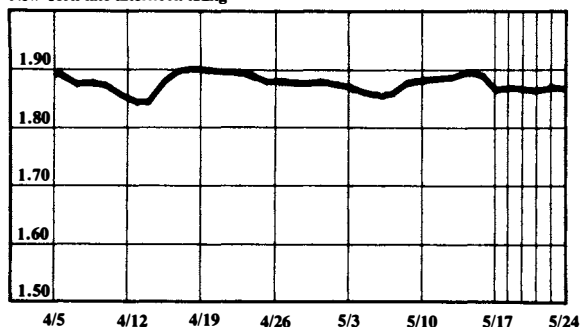
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

