

Mikhail Gorbachev's television address to the nation

ON May 27 President Gorbachev went on Soviet television to address the nation on the country's vital economic problems.

The main issue which he mentioned in his speech was the transfer to a regulated market economy. He said that he understood people's concern caused by the discussion at the USSR Supreme Soviet over the government's report about the transfer to a regulated market economy. We need a market economy not for the sake of having it, but in order to reform dramatically national economy and use rationally the enormous resources possessed by the country, in order to encourage creative, productive and efficient labour and to punish slack workers.

Gorbachev drew attention to the fact that the transfer to a market economy was a very ambitious and comprehensive task. He pointed out that much experience in mastering new ways of economic management had been accumulat-

ed, with a lot of difficulties and not without losses, during the past five years.

Explaining why a practical transfer to a market economy was started now, and not earlier or later on, the President said that the reason for it was the socio-political situation in the country. He stressed that although the current situation was complicated, it was necessary to take action, because it will become even more tense in the forthcoming months. He said in this connection that it was necessary to work out and adopt laws directed against monopolism and the diktat of producers. Gorbachev believes in this respect that conditions should be created which would enable competition between labour collectives, that laws about medium and small enterprises and about business activities should be adopted.

Touching upon the problem of wholesale prices, Gorbachev said that the problem is being tackled in the country in an incorrect way. This is why industrial enterprises, specifically mines, are loss-making. He supported the demands of the miners that greater independence be given to them, so that they can really decide by them-

selves what to do with their products.

He drew attention to another urgent task – the reduction of the budget deficit. He said that there are ways to do so, including the reduction of investments in capital construction and the selling of surplus material resources accumulated in the national economy, whose value is about 200 billion roubles. He also believes that it is necessary to again discuss the situation with regard to expenditures on the state apparatus and to implement to the full the measures aimed at the reduction of defence spendings.

A special role is assigned to the state in conditions of a regulated market, primarily, in compensating to the maximum for a possible growth of people's cost of life, he said.

Gorbachev called for consolidation, joint efforts and the quest for less painful ways to a market economy, "with which we bind the solution of socio-economic problems, the improvement of the population's living standards and, in general, the success of perestroika – our revolution." □

Gorbachev's interview with the American magazine *Time*

SOVIET-AMERICAN relations have changed "fundamentally" in the past two-and-a-half years, President Mikhail Gorbachev said in an interview he gave to the American magazine *Time*.

"We have started to build a new relationship, having agreed that disputes between us could be resolved and, furthermore, that they are less significant than the new challenges that confront mankind and can only be met through dialogue, co-operation and joint action," Gorbachev said.

All this has paved the way for cuts in nuclear and conventional weapons, he said.

He said that the "maximum balance" in Soviet-American relations will secure the attainment of both countries' goals.

It is necessary to protect and augment what has been accomplished in Soviet-US relations, he said.

New steps forward are the best guarantee against backsliding – in arms reductions, which still cannot keep pace with political changes, in our co-operation on transnational problems, in

economic, scientific, technological and cultural exchanges, and in simple human contacts, Gorbachev said.

Commenting on differences with the United States over the united Germany's membership in NATO, Gorbachev said he expects to narrow them during his forthcoming summit with President Bush.

"I hope our relationship with the President will help us advance, rather than backslide on the issue," he said.

Commenting on changes in the world over the decade, Gorbachev spoke about the bankruptcy of militarism and changing attitudes to war and military power as instruments of state policy.

There is greater awareness that the countries and peoples of the east, west, north and south, however different their social systems and levels of development and however dissimilar their cultures, beliefs and ideologies, are parts of a single world, Gorbachev said.

The 1980's marked a major watershed in the history of the Soviet Union, prompting the need for radical reforms in the context of the country's socialist choice, he said.

"Hence, our perestroika, the powerful tendency for democratic change and new thinking in foreign policy," he said.

"And, as a result, the profound impact of Soviet reforms on world developments, a new international situation, prospects for a period of peace in the development of civilisation, and vast opportunities for a better life for people everywhere."

Speaking about his concept of a "common European home", Gorbachev said he envisions Europe as a kind of a union of states with common institutions to ensure military and environmental security, and co-operation in economy, science and culture.

Each state would retain its social and national identity and would have the right to protect its special interests without prejudice to others, he said.

The borders must remain inviolable but they would acquire a new quality – broad accessibility and openness to all kinds of co-operation and equitable and respectful communication, he said.

Commenting on the role of NATO, he said: "According to the American scenario, as far as can be seen now, NATO, strengthened by the inclusion of a united Germany, should be the 'foreman' and guarantor of European construction."

Arguing against this vision of NATO, Gorbachev stressed that the Soviet people associate NATO with the cold war, viewing it as an organisation designed from the start to be hostile to the Soviet Union.

"For us it is a symbol of the past, a dangerous and confrontational past. And we will never agree to entrust it with the leading role in building a new Europe."

Gorbachev called for the creation of new pan-European structures, with active participation of the United States and Canada, and the synchronisation of political and disarmament processes with the pace of German unification.

"That there will be a unified German state in Europe tomorrow is the realisation of the natural right of the German nation," he said.

However, German reunification affects the vital interests of many European countries, including the Soviet Union, he said.

"Not even the most sincere assurances given now, in this headlong rush, could substitute for solid international guarantees that Germany will always pursue peaceful development and peaceful policies," the President said. □

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Gorbachev and Mitterrand meet in Moscow

PRESIDENT Mikhail Gorbachev of the Soviet Union and President Francois Mitterrand of France held a regular meeting in Moscow on May 25.

The fact that their contacts – official and working – have become regular testifies to their new quality. The sides are no longer groping for each other's principal positions – which are by now well-known to both – but seek to jointly assess new phenomena in the international situation, which changes rapidly and sharply, to cross-check their political clocks, and to seek jointly for mutually acceptable and suitable ways to resolve new specific problems.

The meeting was held in a sincere and well-meaning atmosphere, characteristic of relations between the two countries and presidents. They exchanged views on an extensive range of issues relating to the deep evolution of the world situation. "It seems to some people that the world is falling apart, but from my point of view, we are dealing with building a new world," Gorbachev noted. Mitterrand agreed with this viewpoint. The exchange of views on international and European development afforded a new illustration of the viability and fruitfulness of intensive Franco-Soviet summit dialogue.

The two sides reaffirmed the broad coincidence of the visions the Soviet Union and France have a political future for Europe, the way towards which lies through a increasingly active formation of inseparable structures for European security and co-operation.

It was stressed that Europe was entering a new stage, as a result of changes in its western, eastern and particularly central regions, which opened new opportunities for rapprochement between European nations with unconditional respect for the choice made by each and every nation, on the one hand, and released contradictory, including negative, tendencies on the other.

The two presidents agreed that their task was to encourage in every way positive tendencies in current changes and, at the same time, to avert the expansion of negative processes. The synchronisation of the growing rate of renewal on the continent with the continuation and deepening of security and co-operation process is becoming a high priority, the presidents agreed.

Gorbachev and Mitterrand expressed hope that the forthcoming European summit this year would be able to sum up current considerations about the new stage in European history and to facilitate the search for a solution to existing problems acceptable to all. They stressed with satisfaction that ever more countries advocate the idea of institutionalising the European-scale process and creating its permanent structures.

The two presidents discussed in detail their views on the purpose and possible character of these structures.

Gorbachev and Mitterrand expressed mutual interest in reaching, before the end of this year, agreement on the reduction of conventional armed forces on the continent in order to facilitate the creation of pre-requisites for developing new structures of European security and co-operation.

Speaking about the situation in Central Europe and German unification, the presidents focussed on the new Germany's membership of the existing military-political alliances.

Gorbachev reaffirmed the Soviet Union's negative attitude to the incorporation of the united Germany in NATO, which continues to adhere to a strategy worked out in the cold war years.

"This move," Gorbachev stressed, "would create a military-strategic situation unacceptable to the Soviet Union and would compel us to rethink ways to ensure our security."

The two sides noted the coincidence of their views on such aspects of German unification as

ensuring the inviolability of post-war borders in Europe and the synchronisation of German unification with the process of building up security and co-operation in Europe.

Responding to Mitterrand's interest, Gorbachev told the French President about political, social and economic changes in the Soviet Union. He briefed Mitterrand on the Soviet Government's plans and specific measures to transfer the national economy to regulated market relations and envisioned ways to ensure social protection for the working people.

Mitterrand said he was following the activity of the Soviet leadership with understanding and sympathy and believed in the success of perestroika.

"Some of the problems you face are familiar to us, too," the French President noted. "The main difficulty is to combine effective market activity with the solution of social problems, first of all combatting unemployment."

Deep reforms in the Soviet Union and comparability of tasks that are being accomplished open new opportunities for a more extensive co-operation between the Soviet Union and France, and all European countries.

The building of a new future for Europe, Mitterrand stressed, is inconceivable without an active, fully-fledged participation of the Union of Soviet Socialist Republics, France and other European nations.

According to Gorbachev, the impulse imparted to Soviet-French relations in 1985 has not been extinguished, it is gaining new momentum. In the period when Europe is entering a new stage of development, it was found advisable to impart new dynamics to the comparison of political analyses, assessments and conclusions.

Gorbachev and Mitterrand agreed to maintain regular contacts in future concerning the entire range of problems relating to the constructive development of Soviet-French relations. □

Mikhail Gorbachev meets Bulgarian party leader

ON MAY 23 Mikhail Gorbachev met Alexander Lilov, Chairman of the Presidium of the Supreme Party Council of the Bulgarian Socialist Party, who is on a brief working visit to the USSR at the invitation of the Soviet leadership.

The two party leaders exchanged views on the trends and scale of the deep changes taking place in the Soviet Union and Bulgaria. The leaders of the Communist Party of the Soviet Union and the Bulgarian Socialist Party stated

that the two parties had taken the initiative in performing a turn of an historic scale, aimed at overcoming the grave aftermath of the long domination by the power-and-pressure system which had long since outlived itself. The parties intend to democratise all spheres of public life on principles of political pluralism, a multi-party system and parliamentary democracy.

During the meeting, mutual interest was displayed in the exchange of experience between the Soviet Communist Party and the Bulgarian Socialist Party under conditions of waiving the monopoly on power, adjusting constructive dialogue with representatives of all social groups and sectors and various social and political associations.

In Bulgaria, Lilov noted, as the first parliamentary elections, contested by different parties draw near, attempts are being stepped up to aggravate the situation and the social atmosphere.

The two party chiefs favoured non-confrontational approaches to social and political changes.

When discussing the foreign political situation, the two politicians highly appraised Soviet-Bulgarian co-operation in the sphere of international politics. Their co-operation develops in the vein of the European-scale process and facilitates a reliable balance of interests and stability at the present extremely responsible stage of the European development. □

Soviet President and Princess Anne discuss Soviet-British ties

SOVIET President Mikhail Gorbachev on May 24 received Princess Anne, in the Soviet Union on the first official visit by a member of the British royal family.

Welcoming the princess, Gorbachev said that her visit "corresponded well with the fruitful contacts between the two countries.

"There are grounds to speak about progress in Soviet-British relations," he added.

Princess Anne expressed gratitude for the invitation to visit the Soviet Union and the opportunity to see the country that generates immense interest in Britain.

Gorbachev wished Princess Anne a pleasant and interesting stay in the USSR and asked her to convey greetings and good wishes to Queen Elizabeth II and members of the royal family.

The conversation was marked by openness and goodwill.

Yuri Osipyan, member of the Soviet Presidential Council, and British Ambassador Rodric Braithwaite attended the meeting. □

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Gorbachev and Mitterrand hold press conference

SEVENTY per cent of the time spent in the May 25 talks between President Mikhail Gorbachev and President Francois Mitterrand were devoted to various aspects of German unification, the Soviet President told a news conference which he held jointly with the head of the French state after the talks in Moscow on May 26.

The positive tendency of normalising international relations and the world community entering a lengthy peaceful period in its development are connected with the fact that the process was initiated in Europe, Gorbachev said. If it does not succeed here, it will not succeed in the world. This is why it is irresponsible to view this process from "pragmatic positions", he said.

Noting that a united Germany is emerging on the strength of the logical development of processes, Gorbachev said that the Soviet Union welcomed the fact that the German people are realising their potential under specific historical conditions which afforded this chance to them. However, the issue has also external aspects, he said.

The Soviet President made it clear that, from the point of view of the Soviet Union, the problem of the military-political status of the future united Germany is "probably the key issue of today's world politics."

As regards the united Germany's possible membership of NATO, the Soviet President noted that it would entail a disruption of the balance in the strategic point of the world politics where all the most powerful forces confront each other.

Many deep positive processes, which are currently under way in the European continent and which must impart a powerful impetus to world politics as a whole (the Helsinki and Vienna processes) can become hostages to the imbalance which is bound to emerge if the united Germany enters NATO.

Gorbachev blasted allegations that "everything has already happened" in the German issue. He stressed the need to complete the process of the post-war settlement, noting that no one has deprived the four victorious powers of their rights. On the basis of existing international legal enactments, he said, the Soviet Union will remain where it is now with its military groups.

The Soviet President said also, that his pur-

pose in stressing these problems was not intimidation. He is prompted by the need to search, "taking into account the interests of all Germans, Europeans and the entire world process", for needed solutions which will not weaken positive processes in international relations as a whole and in Europe in particular, but which would strengthen these processes.

Gorbachev said that now that Germany was moving towards its unification, as if linking the two military-political blocs in Europe, it was necessary to look for structures of connections and to use this opportunity in order to strengthen political aspects of NATO and the Warsaw Treaty Organisation. But for this purpose, he said, is necessary to review the NATO doctrine. The need also arises to have bodies that will avert the emergence of crises. He said that other mechanisms of interaction of the two blocs can also be found.

President Francois Mitterrand said that during his conversation with the Soviet leader he had emphasised that following the elections the united Germany would have to make its choice as a sovereign state concerning its membership of NATO. When Germany becomes united and sovereign, he noted, it will base its policy on many agreements, including the Helsinki Accords, which say that every nation is free to choose its alliances.

Many countries have already stated that the sovereign Germany must remain on the side of NATO, the French President said. France, he noted, believes that guarantees are needed in the first place. It is probably necessary, he said, for all NATO armed forces to change in such a way as to eliminate the imbalance.

Mitterrand pointed to the need for guarantees for the Soviet Union and all European countries, which had gone through the horrible aftermath of the two world wars, guarantees concerning present borders.

Mitterrand spoke also about guarantees concerning the fate of the armies. This, in his view is

the issue of alliances in light of the common building of both parts of Europe, or even its three parts, as there exist neutral countries which belong to the European Free Trade Association.

The position of France, Mitterrand said, must be clear to all - nothing must be done with the intention to isolate the Soviet Union. It is necessary to support all chances for joint efforts, joint measures of security together with the Soviet Union and those who are allied with it within the framework of the Warsaw Treaty.

Mitterrand also noted the need to create anti-crisis mechanisms. Mechanisms of security in order to follow processes across Europe, for instance the disarmament process.

He stressed that all these subjects were discussed from various but in the common pursuit of the same end.

* * *

IN the course of the press conference President Gorbachev was asked about Soviet transition to a market economy, the President said the market is an environment, in which any economy must normally develop.

"We have come to the conclusion that ownership should be restructured to make our economy diverse," Gorbachev said.

A transition period of one and a half to three years is needed to introduce the market economy, he noted. A package of additional decisions regarding taxation, credits, demonopolisation, and joint-stock societies will have to be passed. Initially, the introduction of the market will be "painful". However, it is not a matter of "how we should move to the market in order to make it less painful for society."

On the question of an unemployment problem, he said that "there may appear people who will lose jobs for some time" due to "structural perestroika". At the same time Gorbachev said that there are "10 million unfilled jobs" in the country at present. □

Soviet Foreign Ministry briefing

IN connection with the convocation of an extraordinary Arab summit conference in Baghdad, President Mikhail Gorbachev has sent a message to President Saddam Hussain of Iraq, chairman of the meeting, Soviet Foreign Ministry spokesman Vadim Perfiliev told a briefing in Moscow on May 28.

He said that Gorbachev wished success to the Arab summit and reaffirmed the Soviet Union's stance on all issues related to the Middle East situation, primarily the earliest settlement of the Arab-Israeli conflict.

Perfiliev went on to talk about the visit of President Gorbachev to Canada pointing out Soviet-Canadian links and contacts contribute to the positive development of international relations and promote the transition of East-West dialogue into the constructive channel.

The state visit by President Mikhail Gorbachev to Canada between May 29-30 will be the first visit of his overseas trip. This event underscores the high level of Soviet-Canadian political dialogue, and the practical co-operation in various areas that was reached through the efforts of the two countries.

The Soviet Union hopes that the forthcoming talks between Mikhail Gorbachev and Brian Mulroney will give "fresh impetus to bilateral political dialogue and help explore ways to ex-

tend Soviet-Canadian interaction in world affairs."

Perfiliev described as "totally fictitious and absolutely unfounded" reports in some Indian newspapers that the Soviet Union provided the United States with detailed information from its intelligence sources about India's preparations for a war against Pakistan, the alerting of Indian Armed Forces, Indian troop movements, and existence of nuclear weapons prepared for use.

These assertions, with reference to information from the British newspaper the *Sunday Times* and the Reuters news agency, were made in articles published in some Indian newspapers on May 28.

The destructive position of Contra leaders, their refusal to abide by agreements with the government is nothing more than a disruption of the complete disarming of the Nicaraguan resistance by June 10, Perfiliev declared. He also noted that such actions endangered movement towards national reconciliation in the country and the peaceful solution of the conflict in the region.

Perfiliev said the Loya Jirgah, the Grand National Assembly, opened in Kabul on May 28. It was addressed by President Najibullah. The Afghan President said, in particular, that in the past Moslem year which ended on March 21, as a result of talks with field commanders of the

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Materials of the Special Third Congress of People's Deputies of the USSR

A DISCUSSION ON THE DECISIONS ADOPTED BY THE SUPREME SOVIET OF THE LITHUANIAN SOVIET SOCIALIST REPUBLIC

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Nikolai Ryzhkov outlines Soviet market measures

SOVIET Prime Minister Nikolai Ryzhkov on May 24 delivered a report to parliament on the country's economic situation and the government's plan for a transition to a regulated market economy.

Summing up the state of the economy, Ryzhkov emphasised that the situation continues to be "extremely complicated", and that a decisive turn to a regulated market economy is needed to overcome the crisis.

The transition is to be made in several stages, Ryzhkov said. The formulation of the basic legal principles of a market economy is to be completed before the end of the year. The reform of pricing, taxation and the crediting system is to take place at the next stage, in 1991-1992. A system of social protection is to be introduced.

The Prime Minister believes that, even at this stage, the situation in the consumer market should be radically improved due to the variety of forms of property, encouragement of enterprise and changes in the structure of production, in addition to corresponding financial and crediting policy.

Economic administration will be cut during the stage of the intensive development of the market (1993-1995). Competition will become more acute.

The material and financial balancing of the market can be achieved in 1992, and economic growth and an improvement in Soviet people's living standards is possible from the subsequent year.

The transition to a market economy is unthinkable without a firm financial and crediting policy, the Prime Minister said. In this connection, hopes are pinned on the new law on taxation of enterprises, the purpose of which is to impose a single taxation rate for the first time. It imposes taxes on super-profits as one of the main ways of combating monopolism.

The crediting system is to be restructured radically. Ryzhkov said that a two-tier banking system is to be created. The State Bank of USSR will regulate the volume of money, while second-tier banks (specialised, industrial and co-operative) will provide credits to enterprises. It is intended to set new interest rates on loans. They do not exceed 2.5 per cent now. From 1991, they will grow to six per cent for a credit lasting up to one year and to 11 per cent for long-term credits. A securities market is to be formed.

The reform of pricing is central to the transition to a market economy. Ryzhkov said that current prices do not reflect either actual expenditures for production, or the supply-and-demand relationship, or the level of world prices. Rejecting shock therapy, the government proposes a comprehensive revision of the entire system of prices early in 1991. Wholesale prices will grow on average by 46 per cent (including an increase of 82 per cent on prices of fuel and energy, of 71 per cent on metallurgical raw materials industry, and 64 per cent for timber and chemical complex raw materials. Purchase prices of farm produce will grow by 55 per cent).

The most difficult decisions are to be made in the area of retail prices, Ryzhkov said. He said calculations indicate that on average prices of food will have to be doubled. Prices of meat are to grow by 130 per cent, prices of fish, by 150 per cent, prices of milk and sugar will double. The price of bread will treble. Retail prices of separate kinds of non-food consumer goods will grow by 30-50 per cent. Prices of everyday and communal services and for passenger transportation are to be increased.

The government proposes to increase retail prices of bread and bakery products as of July 1 this year. All other measures for the reform of the retail prices and assurance of social protection will be put to a nationwide referendum.

Later, during a transition to a regulated market, the system of prices will include three main kinds of prices: fixed state prices, regulated prices and free prices. The government estimates that the share of goods in these categories of prices in retail trade turnover will make up 55, 30 and 10-15 per cent respectively. The pricing of many goods will be freed from state control.

Ryzhkov said that 135 billion roubles will be earmarked for payments to the population in compensation. This will account for 70 per cent of the overall increase of retail prices, which will bring in 198.8 billion roubles.

The government suggests establishing compensation for working people amounting to 15 per cent of wages, but being no less than 40 roubles a month. Pensioners, students of higher educational establishments and vocational schools will receive compensations at a fixed amount: 35 roubles a month.

The Prime Minister emphasised that the proposed compensations are only the minimum guarantees offered by the state. Union and autonomous republics, local councils and enterprises have the right to pay larger compensations, taking into account local conditions. As the gradual transition to free prices is made, the incomes of

the population will be indexed according to price increases.

Regarding the concept of employment during the transition to the market, the Prime Minister said that in order to avoid unemployment it is necessary to resolve tasks connected with redistribution of labour force and to encourage entrepreneurial activities.

Regarding the material balance of the economy during the transition, Ryzhkov noted that the centralised distribution of resources in short supply cannot be fully abandoned at the initial stage.

State control will remain. However, its share in the overall output of the means of production will be no more than 40 per cent. State control for exports, as well as quotas and licensing, will have to be preserved during the initial stage, the Prime Minister said. But the range of their application will be gradually reduced, leaving room for measures to develop the export base and to make the rouble convertible. Ryzhkov said that the initial step in this direction is to be taken as early as this year, when the rouble will be rated against other currencies according to real values.

In conclusion, Ryzhkov said that unpredictability of the process of transition demands the formulation of the five-year plan starting from 1992, not 1991. The plan for 1991 will be drafted separately and submitted to parliament in October. □

News conference on transition to market economy

A PROGRAMME for the transition to a regulated market, elaborated by the Soviet Government, was the focus of a news conference held in Moscow on May 23.

Participants included: Yuri Maslyukov, USSR Presidential Council member, First Deputy Prime Minister and USSR State Planning Committee Chairman, Academician Leonid Abalkin, Deputy Prime Minister, and Gennadi Yanayev, head of Soviet trade unions.

Speakers said that the government's package of measures included switching from January 1, 1991 to a new pricing system, creating security, labour and means of production markets, drastically changing the functions of planning bodies and sectoral ministries, liberalising foreign economic ties, achieving the stage-by-stage convertibility of the rouble, and adopting anti-monopoly laws.

"Certainly, a transition as sharp as this one is impossible without national accord," Maslyukov emphasised. He said that the key elements of the programme should be put to a nation-wide referendum. "If the government's plan is not accepted, the government should resign," he said.

Maslyukov said that the decision on a referendum should be made by the Supreme Soviet after the government's programme is discussed.

"If the referendum fails to clearly specify ways for the country's economic development, the convocation of a roundtable conference with the participation of various political forces is not ruled out," Maslyukov said. At the same time, he noted that such forces had yet to be completely formed and no parties capable of proposing an alternative economic policy had been founded as yet.

Substantiating the need for reform, Abalkin said: "Socialism has not yet been built in the

USSR and the programme aims to build it."

Other speakers said that unemployment in the USSR could triple or quadruple, affecting from six to eight million people. The 'shock' variant, which was shunned during the debate, could shoot unemployment up to 40 million.

The government and trade unions are prepared to submit to parliament a bill on employment in the USSR, envisaging personnel re-training programmes, social job creation schemes and the payment of benefits.

A three-fold rise in bread prices from July 1 is proposed. The plan stipulates full compensation for losses sustained by the population. Beginning in 1991, the government will set 60 per cent of prices, 25 per cent of prices will be regulated and the rest - free. Then the correlation will rapidly change in favour of free prices.

Maslyukov said that in the future the USSR State Planning Committee would be comparable to something like the West German economics ministry. The planning itself should be transformed from directive into indicative. At the same time, he made it clear that the 13th five-year plan would be drafted. Maslyukov said that sectoral ministries should become sectoral associations.

Maslyukov said the USSR State Bank, which is meant to play the role of a federal reserve system, would, possibly, be freed from its subordination to the USSR Council of Ministers.

The partial convertibility of the rouble, in the form of allowing foreign firms to re-invest funds in roubles in the Soviet economy, will be achieved by 1993. The rouble may be made fully convertible into foreign currencies by 1995.

The first two years of reform - 1991 and 1992 - will be the most difficult. Then the stabilisation of the market and accelerated production

(continued on next page)

Mikhail Gorbachev meets Russia's people's deputies

PRESIDENT Mikhail Gorbachev referred to the First Congress of People's Deputies of the Russian Federation as an event of "exceptional importance" in the life of the Soviet Union and Soviet Russia. On May 23 at the request of participants in the Congress he had a meeting with them in the Grand Kremlin Palace.

The Congress is facing a complex set of problems and immense responsibility, he said. Evaluating the course of the forum's work, Gorbachev said that a normal process is evolving and that Russia's parliament is in the making. At the same time it would be unrealistic to pretend that everything is tip-top and there are no problems, he added.

The President described as a normal phenomenon the fact that diverse opinions are voiced at the Congress. "There are views being expressed by people who want to get us outside our policy of perestroika and outside our socialist choice," Gorbachev said.

"Quite often discussion acquires a politicised character. A clash of forces and a political game in an attempt to snatch power are clearly perceived.

"I think that one should be cautious about it. There should be less rally-type activities and more deeper analysis, proposals and alternatives so that the Congress would not disappoint the expectations and would be up to the challenges of the times."

Gorbachev disagreed with those who maintained that the past five years of perestroika were "nothing but an error". "The country has traversed a long way. It has become different," the Soviet leader said.

"Society has become different, too, and we shall never be as we were before. This is the

main prerequisite for discussing and overcoming problems facing us. This is my reply to all those who want to denigrate the policy of perestroika."

Describing the current state of affairs in the country, Gorbachev emphasised that the political reform has advanced far ahead. "The Party is shaking off administrative functions. This process is developing with difficulty and painfully," he added.

Gorbachev pointed to the importance of dismantling the command-and-administer system. "One should get away from diktat, including commands of the part of Party committees," Gorbachev went on.

He voiced misgivings that speculation on the difficulties the country is living through can mislead society and split the genuine perestroika-oriented forces. "This should not be allowed to happen. That will be a setback," he said.

Gorbachev declared in favour of all-round strengthening of Russia's sovereignty. He believes that this should be done in political, economic and spiritual aspects. Speaking of the republic's political institutions, the General Secretary of the CPSU Central Committee supported the idea of recreating a Russian communist party.

"Russia's sovereignty has its own peculiarities. It is of decisive importance to the union as a whole, since the union 'is in general inconceivable without Russia'." Gorbachev specially singled out Russia's responsibility for the preservation of the multi-ethnic Soviet state.

At the request of deputies the President dwelt on the May 22 speech made at the Congress by People's Deputy Boris Yeltsin who set out his concept of sovereignty.

"Much of what was said by Comrade Yeltsin is consonant with what was set out in the appropriate documents of the 19th Party Conference and in the decisions of the Supreme

Soviet," Gorbachev said.

At the same time he criticised some theses of Yeltsin's remarks, primarily "an attempt to separate Russia from socialism which was not mentioned even once during his speech. Judging by Yeltsin's speech, the words 'soviet' and 'socialist' are absent even from the name of the republic.

"To us Russians, just as to all peoples of our country, the socialist choice and the power of the soviets are not just a phrase. These are our fundamental values and our reference points," Gorbachev said.

Describing Yeltsin's speech as being "strongly politicised", the Soviet President pointed out that Yeltsin "did not avoid confrontational approaches."

"A serious analysis shows that what he suggests under the banner of restoration of Russia's sovereignty means a call for a break up of the union. Many theses of his speech deny the Leninist principles adopted as the basis for the 1922 union treaty," Gorbachev said.

The Soviet leader described as "very questionable" Yeltsin's thesis that sovereignty applies to both a person, an enterprise and a district council. This carries the sovereignty issue to an absurdity. And in general that would lead to anarchy, to parochialism."

Gorbachev remarked that Yeltsin possibly sticks to his old idea of creating several Russian republics on the territory of Russia. "But this would be a reversion to principalities, inter-ethnic strife and antagonisms. This is the way leading to a break-up of the Russian Federation," the President said.

In conclusion Gorbachev voiced hope that the people's deputies would find the right solutions expected by the peoples of the republic and peoples of the entire country. □

(continued from previous page)

growth on a healthy economic foundation are expected.

According to government estimates, the USSR's national income will rise by 30 to 40 per cent by 1995, as compared to 1990. Funds to carry through reform will be found by slashing government spending, including that on defence, and by selling some state property to joint stock societies, collectives and individuals.

"Mindful of the time factor and an approaching recess in Supreme Soviet, the government intends to ask parliament for powers to adopt part of the measures necessary for reform in the form of resolutions, with their subsequent endorsement by parliament," Maslyukov said. □

Expert Opinion

WITHOUT CULTURE THERE CAN BE NO DEMOCRACY

Vasily Zakharov

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Soviet Afro-Asian Solidarity Committee lodges protest

THE news coming from Palestine and Israel cannot but evoke grief and utmost concern. Last Sunday, May 20, an Israeli extremist gunned down, in cold blood, a group of Palestinian workers. This senseless killing caused a tidal wave of indignation among the Palestinians residing in Israel and the occupied Palestinian territories. Eight more Palestinians died and hundreds were injured in clashes with Israeli troops. Those events caused widespread indignation and sympathy all over the world.

The escalation of violence is fraught with the threat of an explosion which may have immeasurable consequences. Hypocrisy - there is no other word to describe the expression of regret over the killing of the Palestinians by the very people who have been occupying their land for 23 years now. The occupiers who have been trying for 30 months to break up by force of arms the peaceful demonstrations of the Palestinian people who refuse any longer to live under the occupation regime.

It is the military occupation of Palestinian territories that has led to the 'Bloody Sunday' of May 20.

The Soviet Afro-Asian Solidarity Committee lodges its strong protest with the Government of Israel and its occupation authorities on Palestinian soil over the continuing repression of the population of the West Bank, East Jerusalem included, and the Gaza Strip. Soviet people mourn the death of Palestinians and grieve the

fate of hundreds of those wounded and crippled.

The committee demands an end to the illegal occupation of Palestinian territories, for only that can remove the root cause of the Middle East conflict and of the tragedy of the Palestinian people. □

(Novosti)

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Debates on Ryzhkov's report continue

THE third day of debate on the government plan of transition to a regulated market economy was not as heated as the two previous ones. Although the number of deputies wishing to speak grew, it seemed at times that the speakers had poor knowledge of the plan and used the rostrum not to analyse but to "secure" additional benefits for their constituents. Many also engaged in abstract discourse.

The May 28 debate marked the first time that openly anti-market speeches were made. For example, a driver from Kharkov, Leonid Sukhov, proposed "to upgrade the planned system" in order to alleviate the country's economic woes.

"After all, it helped the USSR rise from the ruins after the Second World War and predetermined the downfall of the world colonial

system. If the plan system is so seriously flawed as is said nowadays, the USSR would not have enjoyed high international prestige in the 1950s." He was supported by a deputy from Karelia, Vladimir Stepanov, who asked "to give the floor to those economists who espoused anti-market views."

Many speakers spoke about ways to "deliver" the necessary information regarding the market to the population. "It is not managers but the population who should be prepared for such a transition," said Sergei Ryabchenko, a physicist from Kiev. Otherwise, in market conditions people will encounter "as many dangers as animals born in captivity when they are released into the wild."

"The advantages of the new economic system should be shown, because the fear of the market has become one of the main obstacles to it," said a deputy from Izhevsk, Nikolai Yengver. Having stressed the importance of protecting low-income social groups, he said it was possible "if the state does not hold back the initiative of the most active part of the population." Yengver

supported the government-proposed price reform as "just and leading to the normal price proportions."

An opposite view was expressed by scientist Anatoli Denisov, from Leningrad, who called the price reform "a trivial hike in prices," which does not bring the country any closer to the market. "Even if the government is moving towards the market, it does so by walking backwards." In its attempts to balance the market it only limits demand without expanding the production of goods, which is also restricted by prohibitively high taxes.

The scientist believes that, for all the need for the transition to the market, the latter is not a panacea. If with the help of the plan, which, incidentally, is successfully used under capitalism, "we have managed to wreck socialism, we can just as well not only wreck socialism but also capitalism with the help of the market." The State Planning Committee, as long as it exists, should draft a goal-oriented programme for the phased transition to the market, Denisov said. □

Debate on presidential candidates in Russian Congress

CANDIDATES for the post of Russian President were nominated once again at the First Congress of People's Deputies of the Russian Federation on May 28 after two rounds of voting last week failed to determine the winner.

The two candidates who ran in the first two rounds were named once again: Boris Yeltsin, leader of the democratic Russia bloc, and Ivan Polozkov, Chairman of the Krasnodar Territorial Council of People's Deputies.

The following candidates were nominated on May 28:

Alexander Vlasov, the incumbent head of government, and Dmitri Volkogonov, a military historian, (both withdrew their candidacies in the first ballot, and Volkogonov who withdrew from the race on May 28), Valentin Tsoi, chairman of Khabarovsk-based state-co-operative concern, Alexander Ilyenkov, Deputy Chairman of the USSR People's Control Committee, and Viktor Aksyuchits, member of the board of a Soviet-Panamanian enterprise.

Taking advantage of their constitutional right, Sergei Peruansky, an assistant professor at Kazan University, and Yuri Luchinsky, a lawyer from Leningrad, put forward their own candidatures.

Addressing the deputies, Yeltsin dwelt on items of his programme, already made public during the first election, that gave rise to controversial judgements or misunderstanding of deputies.

He rejected the assertions, ascribed to him, that he favoured Russia's secession from the USSR.

"I stand for the union's sovereignty, for the equality of all republics, and for the independence of all republics, so that they be strong and thus consolidate our strong union," he said.

Explaining his attitude to the army, Yeltsin said that he favoured the existence of a single army in the USSR. Nonetheless, he thinks the army needs reforming, so that a professional army could subsequently be established.

Speaking of communists' "very controversial attitude" to him, Yeltsin remarked: "I want the Soviet Communist Party to use the 28th Congress for drastic changes in the Party, for a serious transformation and restructuring within the Party. Therefore I agreed to run and was elected a delegate to the Party's 28th Congress."

Russian Premier Alexander Vlasov, describing the reasons why he withdrew his candidacy during the first round, said that as a communist he thought it was not right to "oppose a candidate backed by the Party Central Committee."

Because Polozkov was not elected, Vlasov decided to join the race "in the name of democratic accord in Russia's supreme body of authority."

The candidate favoured "a full economic and political sovereignty of the Russian Federation within the USSR." Everything that is on Russian territory "should fully belong to its peoples," he said.

Vlasov opposed uncontrolled economic activities on Russian territory by union minis-

tries and departments and what he described as "the plundering of Russia's national wealth."

Vlasov believes that "a new, equitable treaty of the peoples of Russia" is the main condition for the Russian Federation's integrity and strength.

He urged decentralising the power structure, overcoming the state monopoly and equalising all forms of property. At the same time, he said he was against "rushing headlong into the market elements."

Describing top priority tasks, Vlasov singled out the elaboration of a new republican constitution. □

More glasnost, more perestroika

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Yeltsin elected President of Russian Federation

THE leader of the Radical Democratic Russia Bloc, Boris Yeltsin, 59, is the new President of the Russian Federation's Supreme Soviet.

According to the returns commission of the Congress of People's Deputies, 535 deputies voted for Yeltsin.

The incumbent head of the Russian Government, Alexander Vlasov, 58, collected 467 votes.

The third contender, Valentin Tsoi, 37, head of the state co-operative concern Ekspa (Khabarovsk, Far East), received 11 votes.

This was the third round of elections. Yeltsin led in the first two but failed to get the required minimum number of votes (531) to win the post. A total of 497 deputies voted for him in the first round, and 503 in the second. □

Gorbachev and Ryzhkov speak at reception during ASTEC meeting

THE USSR government gave a reception in the Kremlin on May 23 to mark the holding of the 13th annual meeting of the American-Soviet Trade and Economic Council (ASTEC) in Moscow.

Delivering a welcome address to the participants in the meeting, Nikolai Ryzhkov said the Soviet Union noted with satisfaction that relations between the USSR and the United States were improving and that the United States leadership, its business community, political circles and public assessed positively political and economic reforms in the USSR.

Ryzhkov noted that Soviet-US trade had increased recently. The two countries concluded several large export and import contracts. About 200 joint Soviet-US enterprises have been set up. But he noted, at the same time, that if these shifts were compared to the scope of the two countries' economies and their potential, the achieved results were as yet insignificant.

Dwelling on a programme to radicalise economic reform, Ryzhkov noted that the drafted

plan of this reform envisaged the adoption by the USSR Supreme Soviet of a package of new foreign policy acts and by the USSR Council of Ministers — of government decisions on the management of foreign economic ties.

He emphasised that the Soviet economy was decisively turning towards ties and co-operation with other countries. "The reforms that are being carried out in the USSR open up good prospects for American firms," Ryzhkov said.

Mikhail Gorbachev made a speech at the end of the meeting. He said that there could be no solid, promising long-term relations if they were limited to political dialogue, even if they included disarmament processes. "Without the foundation, and I think that the economy is the foundation, everything will be unstable, will shake. We will support each other inadequately. Both of us need interdependence," Gorbachev said. He expressed hope that the adequate groundwork would at long last be built.

"It is not easy to harmonise the interests of the USSR and the United States," Gorbachev went on. "But I would like to put the issue on another plane. Regarding our two great peoples. Will we

really lack the wisdom once again and fail to bring this promising undertaking to fruition? I mean the improvement of our relations.

"Both of us need it. We are in this together. What is bad for you, is bad for us. None of us should succumb to temptation of cashing in on complications either in the United States or in the Soviet Union, of fishing in troubled waters. This is a dangerous occupation from the previous bad times. I know that such temptations do appear from time to time," Gorbachev said.

"We are now laying the bricks of a world of relations that will live for a long time. I hope that at the forthcoming meeting with the US President we will have important things to say.

"Together, we have come a long way. Even if we do not accomplish anything concrete, this should not throw anyone into a panic. Very serious issues are at issue, and not every visit will end having solved all the problems. Importantly, these meetings have become annual, regular, and our foreign ministers meet either once every two months or every month. Let's not fall prey to illusion. Let's stand firmly on the ground of reality and step-by-step move our relations forward," Gorbachev said. □

USSR: a step into the world trade system

By Dr. Ivan Ivanov, Deputy Chairman of the State External Economic Commission of the USSR Council of Ministers

SEVERAL days ago the GATT Council took a decision of great importance for the Soviet Union. Following three months of consultations, it was given observer status in the General Agreement on Tariffs and Trade. This gives the Soviet Union the right to participate officially in the activities of the steering and working bodies of GATT and to attend its open sessions. The

(continued from page 175)

opposition more than 880 groups, comprising more than 81,000 people, laid down their arms. Protocols on suspending combat operations were signed with 479 groups numbering some 69,500 people.

Commenting on an article on Iraq, published by the weekly *Argumenty i Fakty* on May 26, Perfliyev described it as "tactless". He stressed that the views and evaluations expressed in the article, "have nothing to do with the official position" and cannot "affect the atmosphere in Soviet-Iraqi relations." The Soviet Union attaches great importance to relations with Iraq, which are marked by genuine equality, mutual respect and meet the interests of the two countries, he said. □

Soviet Union thus becomes involved in the formulation of world trade policy. What is no less important is that observer status gives access to GATT's records and unique experience in foreign trade management, experience essential for the competent drafting of Soviet foreign trade legislation.

Furthermore, this step is of great political significance. It means support for perestroika and de facto international recognition of the current changes in the Soviet economy management. No wonder a number of GATT members who previously had reservations about granting this status to the Soviet Union retracted them at the end of the day, demonstrating goodwill and an understanding of the problems the country is grappling with.

The determinant factor appears to have been the radical decision of the leadership of the Soviet Union to speed up economic reform and move toward a regulated market economy. During consultations in the capitals of the GATT member nations, they were informed of these intentions of the Soviet Union. Now that the plan for this transition is before the Presidential Council and the USSR Supreme Soviet, many of its details are clearly discernible.

The plan seeks further decentralisation in external economic relations, with enterprises and their associations to move to the fore. To this end, economic entities will have a larger measure of autonomy in business operations and the participation of the state in operations in the world market will be reduced to a minimum. What remains for it to do is, basically, to regulate activities in this dimension using legal and economic instruments accepted in world practice.

In the context of a market economy, these will include a new Soviet customs tariff, legislation on foreign exchange and investments and anti-

monopoly laws. Price reform will bring domestic prices closer to world indices. On the basis of new prices, the calculation of the foreign trade exchange rate for the rouble, with a view to making it convertible, is nearing completion. Export-oriented state orders for producers and quotas and licensing in foreign trade will remain in place for some time.

The Soviet market will thus be opening up to foreign competition and the Soviet players on the world trade scene will move to real cost-accounting, with all government subsidies withdrawn.

All the measures are designed to galvanise the process whereby the Soviet Union is brought into a closer relationship with GATT. Given the switch to market mechanisms, the country will be ready to become a full member of GATT in the foreseeable future, with the Soviet market becoming part of the world market.

Yet a great deal of organisational work lies ahead. An assessment of the drafts of new Soviet legislation on external economic activities is being prepared in the GATT Secretariat. A Soviet mission at GATT in Geneva is being set up, and a joint commission is being formed to deal with GATT-related issues in the Soviet Union. Possibly, several Soviet experts will be sent to receive training at the GATT Secretariat.

By getting observer status at GATT, the Soviet Union has taken an important step into the world trade system. Integration into it is now the order of the day. □

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Great hopes for summit

By Vladimir Simonov, *Novosti* political analyst

IN 1983, when a Soviet missile brought down a South Korean airliner, the American hatred of the 'evil empire' reached its peak. New York city reeked of vodka: Stolichnaya, made in USSR, was poured from bottled in the streets in an outburst of spontaneous protest. Mr Rudy Perpich, Governor of Minnesota, eager to console me, said that our two countries were bound to find common language sooner or later: the need to survive in this nuclear age would bring them together.

As a reward for his prophetic mind, now he will entertain President Gorbachev, whose official visit is to be crowned by a trip around the United States, including Minneapolis.

Times have really changed beyond recognition. A mere six months ago, the Soviet and American leaders said farewell to the cold war at their Malta summit. On May 31, in Washington, D.C. They will discuss the potentials for extended co-operation as the two superpowers enter a new era, free of ideological confrontation in interstate relations. At any rate, they will no longer go out of their way to try to prove the superiority of one system over the other. Moscow has given up the totalitarian variety of socialism, which so badly spoiled Soviet-US relations.

There is another reason why the Washington summit can be described in the terms of the new Soviet-American contacts. Both presidents are qualified as constructive realists. Neither wants to be a ceremonial figure, who merely signs documents prepared well beforehand. They will engage in a spontaneous search for solutions of debatable issues. So the sixth Soviet-US summit will be dramatic and is likely to defy forecasts.

Still, we can safely make some forecasts. The summit is sure to be a political landmark and produce impressive joint instruments, including

both presidents' statement confirming the basic premises of the future agreement to cut strategic offensive arsenals.

True, the treaty will be ready at the end of this year, at the earliest. So the expectations expressed during the Malta summit were too optimistic. American experts whose analyses are none too profound often blame the Soviet side for the procrastinations. They suspect Gorbachev of giving way to the hawks, who want this country to take a tougher stance. Their Soviet colleagues wave these suspicions aside and call them propaganda cliches. The top Soviet military, certainly, have a hard time, says Sergei Plekhanov, Deputy Director of the Institute of the USA and Canada. Contacts between the Warsaw Treaty countries are not so close as they used to be. The two Germanies are looking forward to reunification. The Soviet Baltic republics present a frontier problem. Certainly, Soviet generals have many headaches. "This doesn't mean, however, that Gorbachev's summit stance on disarmament will not be the brainchild of a team of statesmen and top military officers," says Plekhanov.

Americans should take other factors into account. The present Soviet leader is no dictator. The Soviet Parliament is not a puppet of the Communist Party. Our leadership faces the old predicament of the US Administration, rallying the public at home.

In this aspect, Mr Gorbachev's will for compromise encounters no smaller barriers than Mr Bush's. During the summit, he is unlikely to take stances which will surely displease the current Soviet legislators – the first in this country really representing the voters.

Worse than that, both ultra-left and retrograde enemies of perestroika in the Soviet Union will use in their interests every attempt to get back to the position of strength, if the US Administration makes any tough demands.

The Baltic issue spectacularly makes this point clear. To all appearances, some people in the

West fail to realise that, however flexible his policies might be, President Gorbachev's hands are tied by the decisions of the Congress of People's Deputies of the USSR, who deem the Lithuanian, Latvian and Estonian independence drive unconstitutional.

As he addressed the press in Moscow, State Secretary James Baker kept Soviet-US trade relations out of the list of understandings ready to be signed at the summit. We know, however, that the work at trade agreements is over. To all appearances, it has become hostage as America waits for the results of Gorbachev's meetings with the leaders of the three Baltic republics.

One can't help getting the impression that the Soviet Union will receive the best-favoured nation status only if it consents to the Baltic separatist demands. But we can hardly pay such a high price for privileged trade with America. Just imagine the torrent of refugees from the Baltic area: people of non-indigenous extraction who were in their time offered jobs far from their homes. Another vital factor: the change of Soviet frontiers may send the system of Helsinki understandings crashing.

Still more important, Americans should think before the summit whether they can greet the dismemberment of the Soviet Union and the death of perestroika, and welcome instability back to the international arena – or they see their interests promoted by a strong Soviet Union led by the man whose reforms enabled Eastern Europe to launch its epoch-making reforms.

Crucial matters will be at stake during the Washington summit. Both Soviet and American interests are linked with the global future closer than ever. President Bush titled his autobiography *Looking Forward* (by the way the Soviet education was a great success). Now, the coming summit will allow both leaders to look forward into the future of their countries and the whole world – and see it clearer than they could. □

TASS observer comments on NATO decisions

DEFENCE ministers of the NATO countries have adopted a number of resolutions to change NATO's role in line with changing conditions in Europe. It was decided to review NATO's military strategy, to lower the level of combat preparedness of some armed forces, to reduce the number of military exercises and not to insist that the growth of military spendings by all NATO members be no less than three per cent annually. NATO explains these decisions by "the fundamental character of current changes in Central and Eastern Europe."

According to a final communique from the NATO Military Planning Committee, which held its regular session in Brussels, the nature of security problems facing the alliance is dramatically changing. NATO is determined to take the best possible advantage of opportunities created by these changes.

One can only welcome the measures to reduce military rivalry in Europe planned at the Brussels session, if they are implemented. They are NATO's natural response to the unilateral reduction of the Soviet Armed Forces by half a million and also unilateral reductions of Soviet tanks, planes and artillery.

However, when assessing changes in NATO's strategy, one should bear in mind other NATO plans approved by the same defence ministers at a recent session of the nuclear planning group in Canada. At the Canada meeting NATO leaders stated that since there is less need for short-range nuclear weapon systems, NATO should deploy nuclear weapons of greater range and flexibility.

NATO is planning to deploy soon in Western Europe 389 new air-based nuclear missiles with a range exceeding 400 kilometres. Taking into account the range of action of the aircraft carrying them, these missiles will be able to hit targets deep in Soviet territory. The operational range of these missiles will be further than that of the Pershing missiles which are being eliminated in accordance with the Soviet-American INF Treaty.

These plans seem to be a 'compensation' package adopted by the Pentagon, under which positive measures aimed at reducing military rivalry are actually brought to naught by other military plans. NATO's organisational, conceptual resolutions will be effectively countered by the US Nuclear build-up in Western Europe.

While NATO defence ministers were meeting in Brussels, newspapers reported that hundreds of US nuclear warheads in Europe were seriously defected and could blow up at any moment. The *Washington Post* reported on May 24 that directors of three US nuclear laboratories demanded that all short-range missiles be removed from B-1, B-52 and F-111 bombers. Modified versions of these missiles are planned to be deployed by the Pentagon on its planes by way of compensation, including on F-111 bombers.

Obviously the time has come for Washington to consider seriously the possible catastrophic consequences of various types of military compensation, including those connected with air-based missiles. □