Russia Picks Up the Pieces

Economic community agreement masks dissolution of Union

ROBERT HARBISON - STAFF

MOSCOW: *Armenia, Byelorussia, Kazakhstan, Kirghizia, Russia, Tadzhikistan, Turkmenia, and Uzbekistan sign economic pact Oct. 18.*

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THE leaders of the former Soviet republics meet today to nail down details of an economic community which they agreed to form last month.

But these moves are tempered by reminders of the perilous fragility of this attempt to preserve some form of union. Only last week, Russian President Boris Yeltsin threatened to dissolve the Soviet central bank and to issue a Russian currency. The Russian message increasingly is a dual one: We are willing to have a union, but we are also ready to go it alone at any moment.

For those who see the glass of union as half-full, as Soviet President Mikhail Gorbachev does, some developments are encouraging. The republics are to meet Nov. 9 in Kiev to finalize an agreement to take collective responsibility for Soviet foreign debt. The chairman of the Ukrainian Parliament, Leonid Kravchuk, told local newspapers over the weekend, that the Ukraine, which had refused to sign the economic treaty, would join today or tomorrow.

The republican representatives agreed last week on the structure of a new Interstate Economic Committee (IEC), which will act as the common market's central government. Mr. Gorbachev and the heads of 12 republics are expected to ratify their plans, including a drastic reduction in the number of central ministries and agencies, at a meeting of the State Council today.

According to various reports, the former Soviet republics propose to dissolve some 36 central ministries on Nov. 15, along with 37 other agencies such as the Committee for Lenin Prizes and the Council for Religious Affairs. Virtually all the huge industrial ministries are to be scrapped. Those left intact include the Defense, Energy, Interior, Railway, Nuclear Energy, and Foreign Ministries, the customs service, and the aerospace agency. They also decided to maintain the Communications Ministry, the Foreign Exchange committee, Pension Fund, and some other agencies.

These concrete steps are somewhat deceiving however. In many cases, the process is less

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one of forming a common economic structure than one of dissolution, with Russia picking up the pieces of the former union.

In an interview with the Government Herald last week, Ivan Silayev, the former Russian prime minister who will head the IEC, said that most of 36,000 employees in the dissolved central ministries would find jobs in the comparable Russian ministries.

Indeed, a draft Russian presidential decree on Russian industry reportedly sets out the same kind of production plans that the central ministries previously prepared for the state-run enterprises under their control.

According to the independent Interfax news agency, the Russian Cabinet will set a system of state orders for 1992 in which the state will take up to 70 percent of industrial production and 35 percent of mining production in exchange for supplying raw materials. The draft decree also requires exporters to hand over 80 percent of the foreign currency they earn to the state, an even more onerous share than the Soviet central government previously took.

The ambiguity of the Russian backing for economic union was evident in the tiff last week over the central bank. The issue emerged when Gorbachev asked the Soviet Parliament to approve the printing of 30 billion rubles ($17.6 billion) by the Soviet State Bank (Gosbank) to cover a yawning budget gap. According to a report supplied to the Parliament, the budget deficit for 1991 will be 153.3 billion rubles, with two-thirds of the defense budget left unpaid. The report also said that three-quarters of the Soviet debt payments due this year are unpaid, a shortfall of some $4 billion, the Gosbank chairman told a Japanese newspaper.

Mr. Yeltsin, angered by the request to print more rubles without republican approval, called last week for the Gosbank assets to be divided proportionally among the republican central banks, with Gosbank itself to become the state bank of Russia.

On Friday, Mr. Silayev told the Tass news agency, Yeltsin "changed his mind."

Russia supports formation of a "normal, healthy banking union among the former republics of the USSR," Yeltsin's closest personal aide, Gennady Burbulis, told reporters that same day. However, he attacked the Gosbank as a "monopoly" and said Russia in particular was burdened by the existence of "two presidents" and "two governments ... on our territory."

"It would be interesting to ask the republics what they prefer – either the Bank of Russia that acts as successor to the USSR Bank or to continue to preserve this monster," Mr. Burbulis added.

Burbulis made it clear the Russian leadership has no interest in the kind of continued political union favored by Gorbachev, contrasting his stance to Yeltsin's far looser vision.

"We'll intensify our relations with the republics on a bilateral basis," he explained. "The deeper these relations are, the sooner there will be a desire to have a community of sovereign states."

Last week, for example, Russian foreign and defense ministers met with their Ukrainian counterparts to begin talks on a bilateral treaty.

The same spirit imbued the Yeltsin economic reform package announced last week. The program of price liberalization, privatization, and other free market measures, particularly planned rises in the prices of Russian oil and gas, will strongly affect other republics. But the decisions were taken independently.

Yet Yeltsin also continues to backing economic and political union.

"He's stuck between two positions," says Sergei Mikhailov, deputy head of the Russian parliament's Foreign Affairs Committee. "On the one hand, he realizes that no one would benefit from the breakup of the union. But on the other hand, he wants to be the president of a great, independent country."

■ *Justin Burke in Moscow contributed to this story.*