

BUSINESS FORUM: FOLLOWING CHINA'S EXAMPLE? GORBACHEV FINDS AN ALLY IN CAPITALISM

By MARSHALL I. GOLDMAN SEPT. 7, 1986

PARTLY stymied in his straightforward attempts to reform and modernize the Soviet economy, Mikhail Gorbachev has recently begun to unveil a backdoor strategy. While still in its earliest stages, the plan seems to involve exposing Soviet enterprises to the international economy through joint ventures with Western companies and through greater Soviet participation in the international economic establishment. By exposing Soviet industry to the ways of the capitalist world, Mr. Gorbachev hopes to stimulate productivity growth and the speedier mastery of world technology.

The new policy marks an abrupt break with the past. For years, Soviet authorities have attacked such institutions as the General Agreement on Tariffs and Trade, the International Monetary Fund and the World Bank as instruments of imperialist and American domination. Now, they have come around to acknowledging the occasional merit of these organizations and hinted that it might be nice if the Soviet Union were allowed to join. Specifically, the Russians have asked for observer status at the GATT meetings, which convene Sept. 15 at Punta del Este, Uruguay.

The Kremlin's sudden interest in GATT and the other global institutions suggests how serious some Soviet officials are about reforming the Soviet economy. Nor is this all. At about the same time that they were seeking to attend GATT, Soviet trade officials agreed to reduce petroleum exports to Western Europe by 100,000 barrels a day.

The cutback is a concession the Russians have always refused to make to OPEC. And because the Soviet Union has so often been a destabilizing force in the spot oil market, the gesture itself has helped push up oil prices, even though it represents less than 10 percent of the country's normal exports to Western Europe. evidently come to appreciate that, under some circumstances, less may actually mean more - particularly if by showing restraint, the increase in oil prices more than compensates for the reduction in crude exports.

Equally intriguing is the Kremlin's decision of Aug. 14 to authorize the creation of joint ventures. There are reports that the Soviet Union has already created such operations with the Bulgarians. In a speech in Vladivostok on July 28, Mr. Gorbachev extended the invitation to the Japanese. The Finns have also been approached, and even some American corporations are considering opening up some jointly run food-processing operations.

Mr. Gorbachev has also indicated a willingness to open up the city of Vladivostok, long closed to foreigners because it is also the site of one of the Soviet Union's most sensitive military bases. Now he hints that it may become a "major international center . . . a seat of trade and culture . . . an open window to the East." He did not specifically mention "special trade zones," such as those established by the Chinese, but his vision certainly suggests something similar.

These new initiatives apparently were undertaken after Mr. Gorbachev encountered severe opposition to his domestic campaign for economic reform. That effort has run head-on into bureaucratically bound planners, ministers, party officials and industrial functionaries who are doing their best to resist change. In a fit of frustration, Mr. Gorbachev complained recently that he was having problems with those who "want to dim our eyes and obstruct our progress." There are "among us," he went on, "people who have difficulty grasping the word restructuring and sometimes they have difficulty even pronouncing it."

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By working through the international sector, Mr. Gorbachev will outflank the several dozen industrial ministers and ministries that command various aspects of domestic economic affairs and will face only the Ministry of Foreign Trade. Right now that ministry is not up to its usual fighting form. The ministry has suffered a major turnover of personnel, and those who have not been retired, fired, jailed or subjected to audit for possible corruption are probably intimidated enough to stand aside for reforms that in a different era would have been opposed with vigor.

Thus, the push for more international contact will encounter relatively little entrenched opposition. Under Mr. Gorbachev's prodding, the Russians have decided to institutionalize the effort and have created a new International Economic Department in the Ministry of Foreign Affairs. To head the department, Mr. Gorbachev has picked an unusually imaginative and sophisticated economist with the unlikely name of Ivan Ivanov.

Until recently the deputy director of the Institute for World Economics and International Relations, Mr. Ivanov has made frequent visits to the West and has always impressed those who have met him with his knowledge and understanding of both the Soviet and American economic systems. He also has a keen sense of what Soviet leaders must do if they are to resolve their economic difficulties. What is striking is how much of what is happening now is what he has advocated previously.

As far as I can tell, Mr. Ivanov was one of the first Soviet scholars to argue that the Soviet Union should join GATT. He did that two years ago at a meeting that surprised his Soviet colleagues even more than it did the American participants. He has also suggested that the Soviet Union should join the International Monetary Fund and the World Bank (which might also be a way for the Soviet Union to gain most favored nation status, since membership in the two organizations normally brings with it that trade privilege). He has even given thought to making the Soviet ruble convertible.

However, Mr. Ivanov's success in transforming his theoretical musings into concrete action is far from assured. Opposition will rise in direct proportion to the degree of economic interaction, as Soviet industries feel pressured to modernize their operations and as foreigners gain more freedom of movement within the Soviet Union.

Naturally, the Soviet Union cannot act unilaterally on these matters. It is far from clear whether the United States or other Western nations would allow it into our Western clubs. There are sure to be strongly voiced concerns that, in pointed contrast to the United Nations, organizations such as GATT, the International Monetary Fund and the World Bank have functioned as well as they have only because of Moscow's absence.

However far the Russians decide to go, and however much we decide to encourage them, these new initiatives are nonetheless remarkable for their daring and the willingness of Soviet leaders to re-examine past dogmas. The odds are that opposition within the Soviet Union and resistance in the West will prevent the Soviet Union from achieving all that someone like Mr. Ivanov would prefer. Nevertheless, the process of proposing and implementing this historic policy shift will be fascinating to follow.